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Marketing and Farm Credits

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AT THE FOURTH ANNUAL SESSIONS OF

The National Conference on Marketing and Farm Credits

IN CHICAGO

AT THE HOTEL SHERMAN
DECEMBER 4-9, 1916

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CONFERENCE ON THE WORKING OF THE FEDERAL FARM LOAN ACT, December 4, 8 p. m., Louis XVI Room.
Frank L. McVey, chairman, The National Conference on Marketing and Farm Credits; president, The University of North Dakota, Grand Forks, North Dakota.

CONFERENCE ON THE WORKING OF THE FEDERAL FARM LOAN ACT, December 5, 9:15 a. m., Louis XVI Room.
Thomas N. Carver, Former Chief, Office of Rural Organization, United States Department of Agriculture; Professor of Economics, Harvard University, Cambridge, Massachusetts.

CONFERENCE ON LAND SETTLEMENT, December 5, 10:15 a. m., Louis XVI Room.
Thomas N. Carver.

CONFERENCE ON THE MARKETING OF WHOLE MILK, December 5, 1:30 p. m., Louis XVI Room.
B. H. Hibbard, Professor of Rural Economics, The University of Wisconsin, Madison, Wisconsin.

CONFERENCE ON LAND SETTLEMENT, December 5, 1:30 p. m., Crystal Room.
Thomas N. Carver.

CONFERENCE ON THE MARKETING OF PERISHABLE FRUIT AND VEGETABLE PRODUCTS, December 5, 1:30 p. m., West Room.
Lou D. Sweet, President, The Potato Growers' Association of America, Denver, Colorado.

CONFERENCE ON THE MARKETING OF LIVESTOCK, December 6, (all day), Louis XVI Room.
Frank L. McVey.

CONFERENCE ON COLONIZATION AND IMMIGRATION QUESTIONS, December 7, 9:15 a. m., Louis XVI Room.
Graham Taylor, Head of the Commons, Chicago, Illinois.

CONFERENCE ON THE MARKETING OF LIVESTOCK, continued; December 7, 9:15 a. m., Crystal Room.
Thomas Cooper, Director, Agricultural Experiment Station, Fargo, North Dakota.

CONFERENCE ON COLONIZATION AND IMMIGRATION QUESTIONS, continued; December 7, 1:30 p. m., West Room.
Thomas N. Carver.

CONFERENCE ON COST FINDING IN THE CO-OPERATIVE MARKETING OF GRAIN, December 7, 1:30 p. m., Louis XVI Room.
Charles Adkins, Former Speaker, Illinois Assembly; president, Illinois Livestock Breeders' Association, Bement, Ill.

CONFERENCE ON THE ORGANIZATION OF AGRICULTURE, December 7, 8 p. m.

Colonel Frank P. Holland, Publisher, Farm and Ranch and Holland's Magazine; Founder of the National Conference on Marketing and Farm Credits, Dallas, Texas.

CONFERENCE ON COST FINDING IN THE CO-OPERATIVE MARKETING OF GRAIN, continued; December 8, 9:30 a. m., Louis XVI Room.

Thomas Daniels, Secretary, Farmers' Grain Dealers' Association of Kansas, Cullison, Kansas.

BUSINESS SESSIONS—

Frank L. McVey.

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Henry C. Wallace, editor, Wallace's Farmer; Des Moines, Iowa.

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Ralph D. Hetzel, director extension service, State Agricultural College; Corvallis, Oregon.

W. L. Beers, 2702 Second Avenue, Great Falls, Montana.

FOREWORD

THE 1915 volume of the National Conference on Marketing and Farm Credits sounded a new note in the literature of agricultural economics. The 1916 volume, now presented to the public, marks the transition in economic thought from the theoretic to the practical. Former speakers of the Conference dwelt largely upon what ought to be done. But in 1916 the General Committee made an effort to secure speakers who could tell how to do those things that may be necessary to the national welfare insofar as they might relate to the solution of the American land question and to the future organization of agricultural coöperation.

This volume, we believe, presents an advance in agricultural conceptions, and voices sane constructive thoughts with regard to the working out of coördinated national and state policies for solution of land settlement, landlord and tenant, farm credit, personal credit and kindred problems, and for the encouragement of the business side of farming by agricultural coöperation.

The attendance at the 1916 Conference exceeded all former records, about 2,000 persons being present, and over 2,000,000 farmers represented. Each general and sectional meeting was rich in free discussion and the quantity of it was so great as to make it impossible for the Committee to incur the expense of publishing everything that was said.

The Committee also feels some gratification in being able to point to the fact that the Congress of the United States has recently appropriated $250,000 for the Federal Trade Commission to investigate the livestock industry as was urged by the speakers at this Conference and by the resolutions adopted. A long line of agricultural progress may be traced as a result of the movements and ideas which the delegates to the Conference have pioneered, or supported.

FOURTH NATIONAL CONFERENCE ON MARKETING AND FARM CREDIT

Frank L. McVey *

For the fourth time delegates have assembled in Chicago under the banner of the National Conference on Marketing and Farm Credits. In that period this Conference has come to be recognized as the one great national body interested in and concerned about the agricultural and marketing problems of the Nation. The attendance upon the Conferences has steadily grown. In the first gathering 34 states were represented, in the second delegates from 38 states were present, in the third 46, and in this one practically every state in the Union will be represented. In numbers, too, there has been a great gain. As near as the officers of the Conference can count in advance of the present meeting, no less than 2,000 representatives of farmers' organizations will be present during the meeting. So, in all seriousness there is gathered here from all parts of America, an intelligent, serious-minded group of men and women, to give consideration to some of the most important questions that confront our people.

Work of Last Three Conferences

The program of the first Conference was given over to a discussion of conditions affecting the sales of the principal farm products and the problems of transporting them to markets. The second program began the consideration of some of the legislation that was then being presented to Congress, and extended its grasp of the problems of marketing that had been discussed in the previous meeting. When the third Conference was called, the advance made in public opinion and new legislation was to be seen in the topics under discussion. The

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* Dr. Frank L. McVey has served for three years as chairman of the National Conference on Marketing and Farm Credits. He is an economist of repute and president of the University of North Dakota, Grand Forks, N. D.

dominant thought of this Conference was centered on the need for a wise federal and state land policy, the need of better financing of the operations of the farmer and more specific suggestions as to the method of accomplishing it. The fourth Conference, which we are now entering upon, will give specific consideration to the workings of the Federal Farm Loan Act, having in mind definite and specific suggestions for making it more workable and satisfactory. The delegates will be asked to devise a comprehensive land settlement policy for the United States. The marketing section has brought to your attention in a unique way the needs of certain phases of agricultural industry, such as livestock, whole milk and various perishable crops. It is hoped to put forward without rancor or any bias some of the facts that will throw light upon these phases of agricultural industry. Without doubt this Conference will make advances over the one that has preceded it. The Conference has led American thought, as can be seen by a comparison of the former with the present national attitude toward agriculture.

Work of the N. A. O. S.

At the last session of the third Conference provision was made for the establishment of what was called a National Agricultural Organization Society. The idea that the Conference had in establishing this agency was to provide some means by which societies might be organized along coöperative lines and work might be done on the larger questions of public policy affecting agriculture. The purpose in carrying out this work was stimulated by the success of the Irish Agricultural Organization Society, which now has 110,000 farmers bound together in 1,100 coöperative societies. Nothing is more certain than the need for information and direction in the organization of coöperative enterprises. At present there are scattered agencies doing the work here and there. The National Agricultural Organization Society will make the contribution, not only of propaganda, but of knowledge regarding the law and legal form of such organizations. The services of organized and well trained legal men will be at the disposal of the societies that are affiliated with the organization. This organization is closely identified with the Conference. It will need more funds and a great deal of support by a coöperative relationship among the different societies which the delegates to this Conference represent. I bespeak for it your coöperation and endorsement, and through this agency there ought to be established better things in the field of agriculture.

It was the hope of the officers of the Conference that Sir Horace Plunkett might have been the guest of the Conference but matters of great importance keep him on the other side and he will not arrive in America until the end of the present week. To him, however, goes the appreciation and good will of the Conference.

I distinctly have the feeling that much will be accomplished in this meeting, that progress will be made, and that the resolutions of this Conference will have a marked influence, not only among us here, but in the halls of legislative bodies. It is, therefore, with pleasure and confidence that I open the Fourth National Conference on Marketing and Farm Credits.

THE FEDERAL FARM LOAN ACT AND PERSONAL CREDIT

WORKING OF THE FEDERAL FARM LOAN ACT

James B. Morman *

In discussing the question of rural credits, as it bears upon this act, we must not forget that there are two phases—mortgage credit and personal credit. This act deals only with one phase, the mortgage credit, and I don't think that is the more important phase. At least, it does not raise as many problems as the personal credit phase and that may be a reason why personal credit has not been taken up by Congress yet.

In discussing this act, or the workings of this act, I want if I can tonight to get right at the core of this matter. This act sets forth two systems, a coöperative system and an individualistic or capitalistic system. The coöperative system is outlined by means of 12 federal land banks, which will be located in the 12 federal districts that the Federal Farm Loan Board is now attempting to map out. These federal land banks will deal with what are known as national farm loan associations. These associations are groups of farmers. They can be organized with not less than 10 members. They come in as borrowers. They form their local organization and they apply for loans to the federal land bank of their particular district.

In connection with this coöperative system we have what are known as agents of the federal land banks. These agents may be any state bank or mortgage institution to which a farmer can go as an individual borrower and ask for a loan of the federal land bank of that district. He then as a borrower, through the agent, reaps the benefit of the Federal Farm Loan Act in precisely the same manner as if he joined a national farm loan association.

Now, these three things together form the coöperative plan. I outline them to you briefly in this way, and we will discuss it later.

---

* James B. Morman is editor of and represented the Federal Farm Loan Board at the conference.

Delaying Formation of Joint Stock Banks

Standing over against this is the capitalistic plan. The law provides for the establishment of joint stock land banks. These are supposed to be organized by capitalists, but the objects of these joint stock land banks are precisely the same as the federal land banks. They are to make farm mortgage loans and to make farm mortgage loans only.

Now, what is the situation with reference to these two systems that have been instituted by this act? The joint stock land banks will not be operative as a capitalistic system for some time. The Federal Farm Loan Board has passed resolutions to this effect, that no joint stock land bank shall be chartered until the federal land bank system has been instituted. The resolutions are these:

First, that no charter will be granted to any joint stock land bank in the organization of which there has been any expense for promotion. That is to say, the law provides that the joint stock land banks shall be established by capitalists with a capital of $250,000, of which one-half shall be paid in cash and the other half subject to call by the board of directors.

Now, there is nothing in the act that provides that any expense shall be given for promotion purposes; but many capitalists and others, realizing the importance of the provisions of the act relating to these institutions, began organizing long before the act was passed in expectation that they would come in and get a government charter to reap the benefits of this system. The result was that considerable money was spent in promotion purposes. A great many of them sought for stockholders, farmers, right the reverse from what was intended by the law, which was that the stockholders should be capitalists. The result was that the board felt that if the joint stock land banks were granted charters they would come in and occupy the field to the detriment of the farmers. Consequently, they passed that first resolution. Connected with that is this:

"Second, that the consideration of charters for joint land stock land banks will be deferred until the completion of the organization of the federal land banks." The third resolution I will not read because it is not very material.

Defects of Coöperation System

That leaves us then open for the present discussion, the coöperative system. I wish to call your attention right here to the fact that the section authorizing agents of federal land banks cannot be operative by the provisions of the law itself until the act has been in effect one year, and that will not be until July 17th, 1917. That fact is not the most unfortunate part of that provision. Section 15 is the section relating to the appointment of agents, and I want to point out to you tonight the defect of this provision. That part of the section which renders this section entirely inoperative at the present time will, in my judgment, call for an amendment which I think should be passed by this body as representative of American farmers and be presented or sent to the Federal Farm Loan Board, and by it presented to Congress and have it passed this session. Section 15, the paragraph relating to this question, reads as follows:

> ''Federal land banks may pay to such agents the actual expense of appraising the land offered as security for a loan, examining and certifying the title thereof, and making, executing and recording the mortgage papers.''

Now, that is all very good, but it adds this:

> ''And, in addition, may allow said agents not to exceed one-half of one per cent per annum upon the unpaid principal of said loan, such commission to be deducted from dividends payable to the borrower on his stock in the federal land bank.''

Now, if you will do a little figuring you will find that the commission allowed to the agent by the federal land bank will be more than double any prospective dividends to be derived from the stock held by the borrower in the federal land bank. For example; suppose a farmer borrows $1,000 and on his first payment of his installment and interest he pays, we will say, $100 on the loan. That leaves $900, the unpaid balance of his debt. Now one per cent of $900 is $9, and one-half of one per cent would be $4.50. Now, then, the farmer when he asks for a loan of $1,000 must, according to the law, subscribe for five per cent of his loan in the stock of the federal land bank, so that on a loan of $1,000 he must subscribe for $50 worth of stock in the federal land bank.

Now, let us assume that he is going to get dividends. We are not sure that he is; but we will assume that he is going to get dividends from the federal land bank and he gets a dividend of six per cent. Well, his six per cent on his $50 will make $3 a year coming to him as dividends, so that while he is entitled to $3, the bank that endorses his loan is entitled to $4.50. Where are they going to get the $4.50 out of $3.00? That is the problem that is raised in that section. In my judgment it is an excellent section; it enables the farmer who stands alone in sections where national farm loan associations will not be formed to reap the benefits of this coöperative system. He will go to the bank nearest to him, a state bank. That bank can be designated as an agent and he can get his loan through that bank of the federal land bank of his district. That section should be there, because it will carry to every farmer in the United States sooner or later the benefits of this great act; and I for one would like to see this section so revised that it will work successfully and carry the benefits of this system to every individual farmer who does not or cannot belong to a national farm loan association.

The coöperative system as we have here outlined, a mortgage system, is confined now to two institutions, the federal land banks and the national farm loan associations. We have here, as I said before, a mortgage system. If you will study the facts carefully you will find that the principles upon which the provisions of this act are made in relation to the national farm loan associations are a combination of mortgage principles and personal-credit principles. We have here the principle of amortized loans. That is derived from the *Landschaft*. We have here the idea of the secretary-treasurer. That is derived from the *Raiffeisen* personal credit societies. We have here the supervision over the loans of the individual farmers. That is *Raiffeisen* or personal credit; and we have the provision that the loans shall be expended for productive purposes only, and that is *Raiffeisen*.

Financing Farm Loan Associations

This combination of principles raises difficulties. The first relates to the difficulty of financing the national farm loan associations. That, in my judgment, is the most important problem that we have to deal with in this act.

How are we going to finance our associations after we have them organized? One of the members of the board called me into his office the other day and asked me what I was going to speak about out here. I said I was going to present the benefits of the act, and also show up some cf what I regarded as its defects. He asked:

''Well, what are its defects?''

''The first defect in my judgment,'' I said, ''is the question of financing the farm loan associations.''

''Well, have you worked that out?'' he asked.

''Yes,'' I answered, ''I have worked that out, in my judgment, as to what will be the best way of financing these associations.''

And he said, ''Well, I wish you would work out those things for me and give them to me tomorrow morning.''

I did so; and I will present to you tonight the few notes that I made for himrelating to this matter.

Many Farmers Seeking Loans

Let us assume, if you will, that a national farm loan association has made application for loans to the amount of $50,000. That is not at all unlikely, because we have associations already formed—preliminary associations formed—that have applied for loans amounting to over $200,000, and, in fact, let me say right now, ladies and gentlemen, that while the federal land banks have not yet been established, nor the districts determined, there have been more associations formed and more applications for loans sent to us at Washington than there is money in sight to supply them. So that, if we think that the federal land bank system is not yet in operation, we are slightly mistaken. The machinery has not been completed, but a vast amount of preliminary work has been done and the farmers will be ready to come in and take advantage of this system just as soon as the districts have been determined and the land banks have been established.

Now, how shall we finance these associations? The law provides four ways. I want to just briefly present them to you.

> First, directors may levy an assessment on members in proportion to the amount of stock each holds in the association.
>
> Second, associations may deduct a commission not to exceed one-eighth of one per cent semi-annually on the unpaid balance of the debt, but said commission has to be repaid out of the general funds of the association when accumulated. In other words, this is simply an advance of money and in fact it may be regarded as a loan, in which case the farm loan association will have to pay interest on this advancement.
>
> Third, associations may borrow money of the land banks at an interest rate not to exceed six per cent; the sums so borrowed not to exceed one-fourth of the amount of its stock in the land bank.
>
> Fourth, dividends may be declared by the association on stock held in the land bank subject to deductions for reserves.

Note one: An assessment of one-half of one per cent of the amount of each borrower's loan would yield a working capital of $250 to pay current expenses. That is my proposition with reference to the financing of our national farm loan associations, that they shall make an assessment upon the members in proportion to the amount of their loan to the extent of one-half of one per cent. That would not burden the farmers, but it would give them a working capital. Let us take up the other three and see what would happen.

Note two: Let us assume a payment of $1,000 on the principal of $50,000; then the unpaid balance of the debt would equal $49,000. One-eighth of one per cent equals $69.25. But, as I said before, this is only an advance on anticipated dividends which must be repaid.

Note three: The payment of interest is a drain on the resources of an association and not an income. In my judgment it would be folly for an association to borrow money in order to meet its current expenses.

Note four: An association with $50,000 of loans would hold $2,500 worth of stock in its land bank. On the basis of six per cent dividends on the stock, an association would receive $150 a year as its earnings on stock, but not less than 10 per cent must first be set aside for reserve. After that expenses must be paid. If any balance remains dividends may be paid to stockholders, but the payment of dividends is optional and may not be expected for the first year at least.

Status of National Farm Loan Associations

Now, that is the situation with reference to our national farm loan associations, or groups of borrowing farmers, as soon as we have them organized. And, gentlemen, if any of you all are interested in the organization and development of national farm loan associations, I ask you to take this matter into serious consideration, because it is the problem of problems with reference to farmers. You know and I know that they have nothing to fear in paying ordinary interest rates, and in endeavoring to reap the benefits of this great act. But we can encumber them too much by calling upon them for excessive assessments. This is the financial way of meeting this problem.

But there is another problem. As I said before, the idea with reference to the national farm loan associations is that they are based upon *Raiffeisen* principles. Now, the *Raiffeisen* societies, or personal credit societies, are limited to a very narrow territory. Many of them are run on a semi-philanthropic basis. The officers are men who are interested in rural community life and development, and they give their services free of charge. We do not have much of that spirit in this country today, and consequently we cannot look forward to that as an aid to help us. We can suggest that the national farm loan associations limit their territory so that the duties of the secretary-treasurer shall not be burdensome and that his salary will not be large. In fact, it is going to be recommended by the board, that, in many instances, it will be wise for the farmers to undertake to run their own associations without any paid officers and thereby save their expense. If they can do that they will be placing themselves on a sound and successful basis.

Is the System Needed?

Now, is there any need for this system? Are the farmers getting loans at rates of interest that they can pay and reap remunerative rewards for their labor and capital? I don't think so. The board on its return from its first trip, which included the north section of states and the Central West, issued a circular in which it summed up some of the conditions that prevail with reference to interest rates and showing the need of the Federal Farm Loan Act. And this is what the board said:

> ''The need for the Federal Farm Loan Act was especially emphasized by the wide inequalities in interest rates disclosed in the hearings. These rates, ranging from five per cent per annum to five per cent per month; by the fact that even where interest rates of five and six per cent were charged, commissions also were exacted, ranging from a flat rate of one to two per cent to a rate of from 1 to 3 per cent per annum on loans. In cases where five-year mortgages were made the commissions at 3 per cent per annum amounted to 15 per cent of the principal sum borrowed, and this amount was deducted when the loan was effected, so that the borrower got the use of only 85 per cent of the principal and paid at the rate of 3 per cent per annum on the full amount of the loan. In addition to these charges the borrower has to pay for the abstract of title, frequently quite costly, as well as for the preparation of legal papers, recording fees, etc.''

The evidence gathered by the board, therefore, shows emphatically the need of the federal farm loan system that will give the farmer lower interest rates, better conditions with reference to borrowing, and the advantages of long-time loans repaid on the amortization plan. It has been my fortune or misfortune to handle the correspondence that has come to our bureau, and I wish to say right now that in many instances cases which to me were nothing more nor less than downright robbery have been brought to the attention of the board.

These farmers right out of their experience have stated just precisely what they have had to pay. And I say that there is nothing to me more convincing of the need of the Federal Farm Loan Act than this correspondence which has revealed the hearts farmers with reference to the loans they have had to pay, the commission charges, and the foreclosures that have been made on them when they could not meet the debt that was due.

Now, my time is practically up, and it is suggested that questions be asked; but I want to bring to you tonight in concluding a message of construction which I think this Conference ought to pass with reference to this act. You have on your program these words: "Help work out the next step in rural credit legislation."

How to Improve System

I want to bring that home to you and let us help work out the next step in rural credit legislation:

1. Let us in this Conference pass resolutions asking that this act in places where it is defective be amended so that we can make it stronger for the farmer; that he might easier reap its benefits.

2. Let us request that Congress pass a personal credit law. A committee has been appointed in Congress to investigate and prepare a bill on personal credits, and I wish to say to you tonight, gentlemen, that practically nothing has been done along that line and that is a very important matter. The farmer of the South particularly needs a personal credit system, so that he can go and get a loan for six months or nine months, as the case may be, giving a note based on chattels as security, and thereby reap the benefits of this form of credit.

> 3. Let us in this Conference agitate for better and wider state legislation in behalf of agriculture and the farmer. Our states are slow in counteracting the evils of mortgage credit and personal credit that exist. Our legislators have been blind to the iniquities that have been perpetrated in the name of credit and have burdened farmers so that they are driven from the soil, not encouraged to stay on it, and we who are here should endeavor to influence legislation in the states where we live so that the farmer can have not only a better system but be protected in his rights which the law should give him.

And I wish to say in conclusion that, in my judgment, with a mortgage system based upon the plan of repayments as here outlined, with loans made for productive purposes, and with a personal-credit measure passed that will benefit the farmers on short-time loans, we shall have a rural credits system that will bring prosperity to our country as never before.

Discussion

Chairman McVey: The paper and the subject of farm loan credits is open for discussion. Mr. Morman is a representative of the Federal Farm Loan Board, working as one of its staff. I trust that you will take the opportunity of asking him questions or making any comments that you care to upon this matter.

Mr. J. S. Du Charme (Arkansas): Mr. Morman, you have given us four instances of financing national farm loan associations. Will you give us a concrete example of the first?

Mr. Morman: Of the assessment plan I gave a concrete example, one-half of one per cent.

Mr. J. S. Du Charme (Arkansas): You gave four instances. The first one?

Mr. Morman: Yes, sir; the first one was the assessment plan, in which I advocated one-half per cent of the loan, which would give them a working capital of $250 on $50,000 of loans.

Mr. Du Charme: That would be for the local?

Mr. Morman: That would be for the local association, yes; the national farm loan association, the local farmers' group.

Mr. Du Charme: They would assess one per cent of the capital stock that they subscribed themselves?

Mr. Morman: One per cent would give them double that amount or $500; one-half of one per cent, or $250.

Mr. Du Charme: One-half of one per cent?

Mr. Morman: Yes; we should be very careful not to go too high with reference to the assessment, so as not to burden the farmer any too much. If we can induce the farmers to undertake the duties of secretary-treasurer, and some other little duties like that, why it would not be a very difficult matter for them to run their own associations with very little expense.

Mr. T. N. Carver (Massachusetts): I understood from Mr. Morman, when he began discussing the question of mortgage credit and personal credit, that he thought it was a weakness of the bill, and yet when he finished I was not quite certain. Do you regard that as a bad feature, and if so, why?

Mr. Morman: I don't think after all it is a bad feature, this combination of long-time and short-time principles. We are dealing with something untried in the United States, and in many parts of our country we are dealing with farmers who need a little advice and supervision. It is more in the nature of advice, supervision and care that his loan shall be put to productive purposes, so that he will reap not only the benefits of the loan, but help to reap it by having this supervision. Now, there is the joint stock land bank which avoids that criticism, because the farmer can come to the joint stock land bank and borrow and no question is asked as to what he is going to do with his loan; so, if he wants it for a washing machine or an automobile he can do so, but he could not do so as a member of a national farm loan association. And that differs from the federal land bank, the loan from which must be used for productive purposes. So that we have two plans therefor: we have the man protected whom we think needs to be protected from foolish expenditures, and we have the man who is wise enough to spend his money rightly when he borrows it.

Mr. P. V. Collins (District of Columbia): I would like Mr. Morman to make it a little clearer to us about the agents of the federal land banks. As I understand it, the law does not provide that a bank may become an agent of a federal land bank until after a certain period has elapsed for the organization of a local coöperative loan association. If such an association is formed there cannot be an agent. I submit that wherever there is no association formed there may not be an agent in the form of a national bank for the reason that a national bank can lend its own money to very much better advantage; and where it monopolizes the field, where it has driven coöperation out of the field, it will occupy the field as it already does. Coöperation has been made absolutely impossible by the provisions of this law. It has been made impossible further by the authorization of joint stock banks, and yet I want Mr. Morman to explain by what authority in the law the Federal Farm Loan Board undertakes to suspend the operation of that provision of the law, undertakes to suspend the charter of a joint stock land bank where the bank is fostered by capitalists without the objectionable features of artificial promotion, etc. Has the law given to the Farm Loan Board the authority to refuse charters under such circumstances? And do not forget the agent question, too.

Mr. Morman: Yes; you have two questions there, Mr. Collins. In the first place no national bank can be made an agent. In the second place no national bank can make farm mortgage loans, anyhow; it is the state bank or state-chartered institution.

Mr. Collins: I have said state bank.

The Chairman: Are not banks that are known as country banks allowed to loan one-fifth of their capital on farm mortgages at the present time?

Mr. Morman: State banks?

The Chairman: No, national banks.

Mr. Morman: Yes; national banks, I believe they are. Under the Federal Reserve Act they can lend up to 25 per cent of their capital and surplus.

Mr. Cole: Ten per cent.

Mr. Morman: Now, with reference to the authority of the Federal Farm Loan Board in refusing to charter the joint stock land banks, I do not believe there is any authority; I do not know of any. The board has done it for a purpose, and the purpose is that it wants to give the farmers the benefit of this system and not allow the benefits to be reaped by private capital. That, I believe, is fundamentally their object.

Mr. Collins: The board is doing some legislating on its own account, then?

Mr. Morman: Practically so.

Mr. Wm. Stull (Nebraska): You stated that, in those localities where the borrower pays the rate of five per cent interest, the commission paid was from three to fifteen per cent.

Mr. Morman: One to three, and on a five-year loan it would be equivalent to fifteen per cent.

Mr. Stull: Where?

Mr. Norman: I do not know where.

Mr. Stull: I don't either.

Mr. Morman: I don't know where; I am simply quoting the statement that the board made. They do not state any locality.

Mr. J. H. Welch (New Mexico): If you please, I can tell him where. Go into the great Southwest. I am from New Mexico. I have reference to the commission of three or fifteen per cent. There is no five per cent money there.

Mr. Stull: I say, where the bank rate is five.

Mr. Morman: Oh, the bank rate of five per cent is in New Hampshire. New Hampshire has the lowest rate of any state in the United States, and it is practically equivalent to five per cent on account of the law there which exempts the mortgages from taxation when they are issued at five per cent or lower.

Mr. Stull: Don't you know there is more money loaned every year in Iowa at five per cent than is loaned in Vermont in ten years?

Mr. Morman: It may be so in certain sections, but you take Iowa as a whole, and its rate is six per cent.

Mr. Stull: I beg your pardon; there is not a company that can get as many five per cent loans as they can make, and the farmers in many cases are not paying one-half of one per cent flat.

Mr. Morman: All I have to go by are the statistics gathered by the rural organization service of the United States Department of Agriculture which has given established data with reference to mortgage loans. Those data were presented before the congressional committee having to deal with this act; that committee accepted them as reliable data, and I do the same. There may be individual cases where loans are made at five per cent. But let us not forget this, that under this system the benefits are not confined to interest rates alone. If you out there in Iowa are making a straight loan at five per cent, do not forget this, that this law gives you these additional advantages: That you can take your loan for from five to forty years at your own option; pay it off by amortization payments so that you hardly know the difference from straight interest; you have no commission charges to pay, and you are never under the fear of foreclosure. These are the advantages of this system that you do not get under the ordinary straight mortgage system.

Mr. Stull: For more than 20 years practically every mortgage made in Iowa, Nebraska or Illinois has the option, the borrower retains the option, to pay $100 or any multiple thereof when any interest is due. If he has a hard year he is not compelled to pay any.

Mr. Morman: Yes, I will concede that there are certain benefits derived in Iowa and Ohio under farm mortgage loans not derived in any other state; but this is legislation that appeals to the whole United States, and, as this gentleman said down here, in the South and Southwest they are sometimes paying as high as 40 per cent, and no farmer can do that and live.

Mr. Stull: Where the loaning people, like the large life insurance companies and the large savings banks of New England, are making a five per cent rate, do you assume that that rate added on with the commissions is six per cent?

Mr. Morman: I assume nothing; you must fight that out with the Federal Farm Loan Board as to the fact with reference to loans made by insurance companies which do charge commissions, especially when those loans are made through agents, and most of them are made that way, and the agent gets his commission.

Mr. Stull: Very seldom.

Mr. Charles Adkins (Illinois): Let me ask you a question: What we want to know is the practical workings of this proposition. It is not as to whether it is a good proposition or a bad one, but how are we going to apply it? Now, here is a concrete proposition. A man came to me the other day—he lives down in Central Illinois where land is worth $250 an acre; he is buying a $40,000 farm and is borrowing $20,000 of the money. He was talking to me as to the advisability of organizing just such an association as you are talking about and we talked the matter over and decided that in the beginning—now, here, see if we are right or not; see whether we know how to apply this or not,—we considered the advisability of organizing such an association, whether it would be to his advantage or not. Now, our understanding of it is that he could only borrow $10,000, is that true?

Mr. Morman: That is correct.

Mr. Adkins: And that is a first mortgage on this $40,000 farm of which he would owe $20,000.

Mr. Morman: Yes, sir.

Mr. Adkins: That money can run 40 years; can it not?

Mr. Morman: Yes, sir.

Mr. Adkins: Then he would have to come in with a second mortgage from some other source, a second mortgage to a 40 year first mortgage; that was my understanding.

Mr. Morman: Yes.

Mr. Adkins: He can borrow that money at five per cent without any commission. We sat down and figured on it, and I told him that my understanding was that in the organization of a society of this kind that you speak of here that probably in the beginning his interest would cost him six per cent counting all the expenses? Is that true?

Mr. Morman: No, I hardly think so.

Mr. Adkins: Well, what would it be, because that is what we want to find out?

Mr. Morman: Well, we don't know, because the system is not operative yet.

Mr. Adkins: Well, I got my notion from the board when Mr. McAdoo and the board were at Springfield. I was before that hearing.

Mr. Morman: Yes.

Mr. Adkins: Now, the idea is, gentlemen, as I understand it, to find out how we are going to apply this law justly to the farmers. This is a case where a man is buying a $40,000 farm, and wants to borrow $20,000.

Mr. Morman: May I ask one question: Is he going to pay any money down on his purchase?

Mr. Adkins: $20,000.

Mr. Morman: Going to pay down $20,000?

Mr. Adkins: And a $20,000 mortgage.

Mr. Morman: And a $20,000 mortgage?

Mr. Adkins: Yes.

Mr. Morman: You realize that he could not on account of the limitations borrow through a national farm loan association. But he could go to a joint stock land bank in his state and borrow the $20,000, or $25,000 in accordance with the 50 per cent appraisement of the value of his land, and then he could give his first mortgage to the joint stock land bank and would have to carry no second mortgage at all.

Mr. Collins: How can he when they forbid the establishment of the joint stock land banks?

Mr. Morman: That is only temporary.

Mr. H. N. Eliot: Can that farm be divided into halves, and half of the mortgage taken out under that system and half under the system that exists now?

Mr. Adkins: Excuse me; the question I wanted to know is whether there is any financial advantage to the man if that is done? Now, there is no trouble about getting all the money that you want at as long a time as you want at five per cent. That is well understood. But the question is now, is it a financial advantage to him? That is what every man is looking at.

Mr. Morman: Well, if he could under the present mortgage system get the loan as cheaply without commission charges on long time, as long as he chooses up to 40 years, on the amortization plan of repayment, and with no fear of foreclosure,—if he can borrow under all those conditions under the present mortgage system there would be no financial or any other advantage to him; but I do not know of any mortgage system operating in this country that will give any borrower on first mortgages all these advantages, and if there is I would like to know about it.

Mr. S. D. Gromer (Missouri): It seems to me from surveys made in the Corn belt that there are many farms that the farmer and public opinion would value at $15,000. I understand the law provides that in valuing this farm the income of the farm should be taken into consideration. Many of these farms probably would not yield more than four per cent. Well, now, four per cent on $15,000 is $600, and then if this loan should be at six per cent, $600 divided by six-hundredths will give you a $10,000 farm. Now, suppose this farm had $3,000 worth of improvements on it, and then you cut down that $3,000 of improvements in the same way, you have got $2,000. Then you can borrow 20 per cent on the $2,000, which would be $400, and then the farmer has got to buy 5 per cent of stock, so he can only take out 47½ per cent net. So you take 47½ per cent net, and you have got $3,800, and 17½ per cent on your $2,000 is $350, which gives you $4,150 that you can borrow on a $15,000 farm. Then you would be very likely subject to an assessment, as you explained awhile ago. Now, while we all admit that a farm mortgage is more or less not liquid, while it is the best security in the world, at the same time the Federal Farm Loan Board rightly builds up a big reserve fund in the form of capital, etc., which I think is right. But now on a $15,000 farm, as many a farm goes, in the Corn belt, you can only borrow $4,150 net. Is not this law, under these conditions, rather conservative, and will not that very likely throw a great deal of the business into the hands of the insurance companies and other private leaders?

Mr. Morman: I don't accept your hypothesis at all. In the first place the language of the law is this: That the earning power of the land shall be the principal factor in determining appraisement.

Mr. Gromer: That is what I was saying.

Mr. Morman: Now, your own local loan committee of three members of your own farm loan association are going to make your primary appraisement. Then comes along the federal land bank appraiser, who is a man familiar with the land values and the farm values of your own state, or he will not get the appointment, and he in connection with the loan committee forms an appraisement there that may be even higher than your appraisement, for all we know.

Mr. Gromer: Yes, it may be; but if he follows out the strict letter of the law it will certainly be more or less as I have stated.

Mr. Morman: Then, if he follows the strict letter of the law I shall assume that the farmer will be just as much benefited as injured in the appraisement of his land and especially as his own committee of three farmers, his own members, his own neighbors know the value of this land better than anybody else and I do not believe they are going to undervalue it.

Mr. Charles McCarthy (Wisconsin): Now, as to the appraisal: If the appraisal is the same throughout the country, by federal appraisal, will not the offerings of the first bonds be the same throughout the country?

Mr. Morman: But why should we assume that the appraisals will be all the same? Each individual farm is appraised on its own basis. Farms vary; $200 an acre in Iowa, $25 an acre down south—they are appraised according to the earning power of the land in that locality.

Mr. McCarthy: But, if the earning power of the land is appraised it does not make any difference whether it is $200 an acre or $100 an acre in putting the values on it for the bonding.

Mr. Morman: Not at all.

Mr. McCarthy: So that the bonding will be even through the entire country.

Mr. Morman: That is the object, to have the bonds practically uniform throughout the entire country and that the rates which bonds will bear will be practically uniform all over the United States.

Mr. McCarthy: Then I understand the policy of the board is to have a uniform rate throughout the country.

Mr. Morman: Absolutely.

Mr. McCarthy: Has the board determined what they will offer the first bonds for?

Mr. Morman: Practically, yes. You will find that the law provides, of course, that the ultimate mortgage rates will be determined by the bond rate because the law allows the banks to charge a margin of one per cent on the mortgages to give them a profit for running the banks. Now, they expect that the federal land bank bonds will sell at practically four per cent, so that the farmers are expected to get mortgage loans at five per cent, and they are going to fix that on the prospective sale of the bonds afterwards.

Mr. McCarthy: And you expect that the prospective sale will give five per cent mortgage?

Mr. Morman: Five per cent mortgage and four per cent bonds.

Mr. McCarthy: Five per cent mortgage and four per cent bonds throughout the country?

Mr. Morman: Yes, sir; that is what is expected.

Mr. Lambert: Mr. Chairman, I attended a hearing of the Federal Farm Loan Board at Madison a couple of months ago, and one thing that pleased me greatly was a statement of Commissioner Norris. There were not very many farmers there; they were mostly bankers and business men in Madison. And one of the things that Commissioner Norris said was: "Gentlemen, you understand that nowadays everybody agrees that farmers must do their business coöperatively, both in the marketing and in the procuring of their requirements." And the thing that he wanted to point out, and did point out, was that this coöperative plan through the farm loan association would start the coöperative movement throughout the country together. In other words, our government today puts the stamp of approval on the coöperative way of doing business. Now, I would like to ask you, Mr. Morman, whether you think that will have a beneficial effect?

Mr. Morman: Coöperative?

Mr. Lambert: Yes. That is, using this as a model as setting the stamp of approval on the coöperative movement in this country. I would like to get your views as to whether that amounts to anything or not.

Mr. Morman: Well, I will tell you how I will answer that. When this bill was introduced into the United States Senate on January 5th last, Senator Hollis, who had charge of the bill in the senate, sent it to me for my criticisms, and I wrote him back that in my judgment it lacked one thing, and that was life. And he wanted to know how we could put that in; and I said, "Put it in by having propoganda work so as to teach the farmers the benefits of the act." And you will find that this last long paragraph of Section 3 was inserted at the suggestion of your humble servant after the bill had been introduced into the United States Senate. In that section you will find this, that one of the duties of the board shall be "to disseminate in its discretion information for the further instruction of farmers regarding the methods and principles of coöperative credit and organization." And that is my answer.

Mr. J. N. McBride (Michigan): This question of the 10 men to form the local organization; suppose that the board finds three whose titles are invalid or technical irregularities in their abstracts; where does it leave the other seven?

Mr. Morman: The other seven would be looking for three other men to come in with them.

Mr. McBride: Another question: When states have different plans for taxing mortgages, what is going to be the effect in a state where the cash values of a mortgage are taxed and those that go to the loan association will be taxed, and in states where they are not taxed, simply registered, each state will follow the particular lines?

Mr. Morman: The law provides that the farm loan commissioner shall have all the state laws examined and see if they can be made to conform to the provisions of this act, and, if not, that no mortgages need be taken from that state until the state legislature changes its laws so as to conform to this act.

Mr. Adkins: One more question, please: You know that where the shoe always pinches on farm loans, is when a man defaults on his interest and payments, and they come in to close him out. They did that in the early days of Illinois, but now they cannot close a man out, because he can always sell out and get out with his hide whole. Now, you said awhile ago that the beauty of this proposition was that they could not come in and foreclose and take a man's farm away from him. Now, when a man defaults in his payments and is unable to meet his payments, what happens?

Mr. Morman: The law provides that the association of which he is a member shall carry him for a period of two years and deduct the money out of the sinking fund; that is provided for.

Mr. Adkins: You don't quite get my question. You know there are some men who are naturally not thrifty.

Mr. Morman: Yes, sir; I recognize that.

Mr. Adkins: And they get hold of money some way or another and will buy a farm, and for some reason or other their expenses will exceed their income. The proposition is, with that kind of a man what happens in the end?

Mr. Morman: I don't think such a kind of man would be admitted to membership in the farm loan association, in the first place, because he must be elected by two-thirds vote of the directors and they know their members; and if they take in a man who naturally they know is a menace to the society they are about as foolish as he is, and I do not think they will do it.

Mr. Adkins: But lots of men do. The question is, what happens when a man fails to do it in the end?

Mr. Morman: When I spoke about the fear of foreclosure I was dealing with the fact in a general sense. The bank that advances the loan has the right after two years to foreclose if the man persists in defaulting, but for two years it cannot foreclose on him. It is not so much a question of thriftlessness as it is a question of the misfortune that might befall him because of disease affecting his crops, or disease affecting his cattle, or flood wiping him out, or something of that kind. That is a misfortune, and then the law provides that the association shall carry him so as to protect him against misfortune and not to foreclose on him before that time.

Mr. Welch: Please give us the manner of procedure of organization of a farm loan association.

Mr. Morman: Let us see if we can outline the simple procedure that takes place. Ten farmers get together. They may get together in a home or a school-house, and they say, "We will form this association." They write to the Federal Farm Loan Board and get articles of association free of charge; they sign these articles of association and then they want to apply for loans. They write for application blanks, and they get them free of charge and they apply for loans. They turn those applications over to the secretary-treasurer of their association and he sends the applications for the loans to the federal land bank. After the loan committee of the association has appraised the land, and sent their report, the federal land bank sends its appraiser to appraise the lands. If the lands are regarded as good security for the loan and the appraiser makes a report to that effect to the land bank, the secretary-treasurer is sent a check for the amount, and he disburses to the members according to their applications for loans.

Mr. Welch: The question is the procedure in the local organization. How many officers do you want?

The Chairman: May I say in reply to that, you will notice on the program we have here a paper by Mr. Camp, who discusses Experiences in Organizing National Credit Association in North Carolina.

Mr. Bartlett: Who pays the expenses of the appraiser?

Mr. Morman: The federal land bank.

Mr. Bartlett: Both of them, the local and the land bank?

Mr. Morman: That is an interesting question. I am glad you asked it. We sometimes think that farmers are foolish, but they can give some of us pointers sometimes. I have a copy of a letter here that I received the other day asking that very question with reference to the appraisal committee. The writer says:

"It is my opinion that the board will be called upon by other associations to make a ruling on the question of paying the loan committee a fee for appraising the land of prospective borrowers. Now as a rule the law expects that the loan committee is going to work without charging, on the old *Raiffeisen* principle. We now have a membership of 21 with a prospect of 50 by the time the bank is organized. It is too much to ask any three men to spend a month appraising farms without remuneration."

I think that was a good, sensible letter. Now, with reference to the other question as to who pays the land bank appraiser. The land bank appraiser is paid by the federal land banks and joint stock land banks which they serve in such proportion and in such manner as the Federal Farm Loan Board shall order.

Mr. H. J. Hughes (Minnesota): Suppose after this has been allowed, and the secretary-treasurer has received the check and distributes to the borrowers, to whom are the interests and the amortization payments paid? Are they paid to this secretary-treasurer or made direct to the bank, and how much duty and how much trouble will the secretary-treasurer have after the loans have been made?

Mr. Morman: All payments are made to the secretary-treasurer. He is the acting officer of the association and practically takes the burden of the work off of all the farmers. He is expected to collect the interest and instalments and transmit them forthwith to the federal land bank of his district. It is not expected that the farmers are going to default to any great extent. They might, but I don't think many of them are going to do that. I do not think we need to worry ourselves about farmers having a 50 per cent appraisement on their land that they are going to deliberately default their interest and instalment payments. But to answer your question, the secretary-treasurer does all that work. That is part of his duties, and, consequently, that is the reason for having a good man. It isn't to be expected as a rule that a man will do all that work for nothing. But if a man is influenced by the spirit of community service, if one of the farmers, an intelligent man, will do that, it will help to keep down expenses. That is why I urge upon national farm loan associations not to have any heavy expenses.

Mr. Hughes: Under your first question there of assessing one-half of one per cent; do you mean that each year?

Mr. Morman: No, it would not be very long, because they anticipate dividends from the stock that they as borrowers purchased through their association of the federal land bank. In all probability the federal land banks will be established by the United States government with a capital of $750,000, making a total of nine millions of stock held by the United States government which will draw no dividends. They all go to the farmers who are members of the associations. The latter, having subscribed for stock, get all the benefits of the government subsidy of $750,000 in each bank.

Mr. Glidden: You said that the applications for loans already exceed the money available. Now, when will there be more money available?

Mr. Morman: Just as soon as the bonds are sold. You know the law provides for the issuing of bonds on farm mortgages in series of not less than $50,000. As soon as the federal land bank has $50,000 in mortgages, those mortgages are put up as collateral security with an official known as the registrar, one being appointed for each district. The registrar reports to the secretary of the treasury that he has $50,000 worth of mortgages there, and he wants $50,000 worth of bonds to be issued on those mortgages. Those bonds are issued in denominations of $25, $50, $100, $500, and $1,000 to meet every class of investor, and those bonds are marketed to the public or marketed to anyone who wants them. But the banks in Dallas, Texas, have already offered to take the first $2,000,000 worth of bonds that will be issued in the district that will include the state of Texas. In all probability the bonds, on account of careful government supervision over the system, will be regarded as a high-class security, and may sell even at less than four per cent when they once get on the market. So I do not think there will be any doubt of our getting all the money we need to finance the farmers when we get the bonds issued through the federal government.

Mr. H. J. Farmer (Minnesota): The question is not to corner you, but for information. We are not all held collectively?

Mr. Morman: No; you are not held responsible for any man's debts. You are held responsible in the case of the failure of the association for the amount of your stock held in the association and are liable for an equal amount.

Mr. Welch: Mr. Chairman, I would like to have Mr. Morman now answer my original question.

The Chairman: We will ask Mr. Morman to answer Mr. Welch.

Mr. Morman: Now, what was the question?

Mr. Welch: The question was as to the manner of procedure of the local organization of the farmers' loan association.

Mr. Morman: I partly answered it and then went on to another subject. Ten farmers get together and they decide that they will form an organization and sign the articles of association. Then they elect directors. The law says it shall not be less than five. The board is now advocating that they elect nine, for this reason, that members must be elected by two-thirds vote of the directors. Only by those votes can they be made members. Now, two-thirds of five votes would be more than three and less than four votes, so the board decided that it would be better for the association to elect nine directors. Having elected nine directors they then proceed to elect a president, vice-president, a loan committee of three members and a secretary-treasurer. Those are the officers of the association and the only officers.

Now, here comes in two interesting questions with reference to additional business. The members of an association must all be borrowers except the secretary-treasurer. He is the only one that need not be a member of the association, nor even a resident of the district. Now, if any one of the directors wants to get a loan, a substitute must be elected to take his place. No man can pass upon a loan who is directly interested. The same applies to the loan committee; if anyone of those wishes to get a loan a substitute must be appointed to take his place. Where there is a large membership in an association, the appointment of two sets of committees is being advocated, so that they can always have a man ready to take the place of the man who is applying for a loan.

Now, they make their applications for loans on blanks furnished by the Farm Loan Board. In that connection let me say that every paper needed by a farm loan association will be provided free of charge by the federal land bank of the district. The board will furnish them to the federal land bank of the district, and the federal land bank will furnish them to the association free of charge. That is done because all the papers must be transmitted to the federal land bank of the district and not to the board. The associations deal with the district bank, and the district bank, when it has got all these papers together, sends them on to the Federal Farm Loan Board in order to see whether the board will grant the association a charter.

Let me go back one other step. After the loan committee have made their appraisal of the farm lands they make out a report which must be unanimous. That report is submitted to the secretary-treasurer and he has it sworn to before a court officer, or before some other officer competent to administer the oath. Then those papers, including the applications for loans, articles of association, and the application for a charter, are sent to the federal land bank, and the federal land bank passes upon them and sends them to the Federal Farm Loan Board. If everything is satisfactory, the board grants the national farm loan association a charter and it is ready to go and do business as a corporate body. That is the reason why the members have to purchase stock in the association so as to conform to the law in being stockholders. It is a stock concern.

Now, here is another interesting thing. The five per cent that the farmer has to put up, he first puts up in the national farm loan association. That five per cent is stock that he holds in the association. But the association as a unit, as a corporate body, holds the stock as part security for his loan. That same five per cent is transmitted by the association as a unit, as a corporate body, to the federal land bank of the district, and the federal land bank of the district grants the association five per cent of stock of the federal land bank. But that stock is held by the federal land bank as part security for the loans that the association has to endorse for the members, so that the dividends, if any, go to the association and not to the members. The dividends are distributed to pay the expenses of the association. Then, whatever is left, is turned over to the farmers as stockholders in the association.

Mr. Smith: What process does the farmer go through to pay this five per cent of his loan?

Mr. Morman: He can advance it out of his own pocket. But if he has not the money he can borrow it of the federal land bank, make it part of his loan, and pay it off on the amortization plan of payment just the same as his original loan. In other words, if the farmer has no money to put up, the federal land bank will lend him the money.

The Chairman: Mr. Morman, if he already has 50 per cent of his loan he cannot raise that to 55 per cent.

Mr. Morman: No, it must come within the 50 per cent appraisal value; it must come within that.

Mr. Bowen: This committee of three must vote unanimously for the loan. What if a certain member of this committee had a personal grudge against a man who desired a loan, and he would not vote to approve the loan? You know, farmers do not sometimes get along. How would you get around that?

Mr. Morman: You could not get around that unless it was reported and a substitute member of that committee was put on to reappraise the land. If it was known that it was done by personal grudge they could easily overcome that.

Mr. Bowen: It would be hard, it seems to me, to find out. It might even have been years before that he had bought a mule with the heaves from this fellow, or something like that.

Mr. Morman: Yes; but there would be no objection to having another committee appointed. Your association is your own autonomous body; you govern yourselves, and if you think you have not had justice, require another committee and let them go ahead.

Mr. Bowen: Just protest.

Mr. Morman: Protest, anyway.

Mr. Stevens (Michigan): After the farmer has repaid his loan and liquidated the debt, how will the stock that he has subscribed for be repaid?

Mr. Morman: He can take the money that is due him on his stock and pay off his last payment, or he can get that in cash. It is refunded to him by the federal land bank of the district; he is entitled to that, and during all the time that his loan is being carried he is entitled to dividends on his stock from the federal land bank. Then, as soon as his loan is repaid, it automatically removes him from being a member of the association because all members must be borrowers, and as he is no longer a borrower, he is therefore out of the association.

Mr. Stevens: I think you said that state laws might in some instances aid the federal act. Has the board formulated any specific recommendations for submission to the legislature so that the laws might conform to the federal act?

Mr. Morman: The governor of every state has been communicated with, and many of the legislatures will take up that question and consider it this year, because they are all anxious to have their farmers reap the benefits of this act. One of the greatest difficulties, I think, may arise in Texas on account of the Texas homestead law which forbids a man to mortgage his homestead with less than 200 acres, except for vendor's lien. That is going to create a more difficult problem, I think, than under irrigation projects. I think Texas will give about as much trouble as anything unless we can see our way clear to give them the benefits of that particular clause, which says that a man can mortgage his homestead for a vendor's lien. I received a letter last week from the Speaker of the Texas legislature, in which he says that most of the indebtedness on Texas homesteads is due to the fact of vendor's lien.*

Mr. Stull (Nebraska): I understand it takes 10 men to organize one of these loan companies. Now, suppose you have an organization and after five years I understand a debt can be paid off for any amount; is that right?

Mr. Morman: After five years the borrower can pay off his loan in $25 payments, or any multiple of $25.

Mr. Stull: Supposing there are ten of them, and suppose five of them are lucky enough to pay off their loan, what becomes of the other five?

Mr. Morman: They still retain their membership, and they can always take in members. Any man can come in afterwards if he only wants a loan of $100; he can be voted in and get his loan of $100, or as high as $10,000, so that the association is expected to grow. But if those five men should pay off their loans, the other five can go right on.

Mr. Carleton: You say that you can borrow 50 per cent of the value of your property. Would it not really be more accurate and more comparable with the present system to say that you can borrow in cash 47½ per cent in money, and get the other 2½ per cent, or 5 per cent off 50 per cent in stock and shares? In other words, you are not getting the full 50 per cent cash, and how does that differ in principle from the bonus system of the present private mortgage arrangement?

Mr. Morman: It differs in this respect, that many a man will have cash enough to put up for his stock, and then he can get the full value of his loan. Then again, supposing that he has not got enough and he takes it out of his loan, then it would be the 47½ per cent as you say. But I do not see why it would be a bonus, because it is an investment, though it is counted in as part of the loan and you have to pay interest on it.

Mr. Carleton: I understand there is no certainty that you are going to get any dividends on these shares. In that case it is a pure bonus.

Mr. W. R. Camp (North Carolina): The money is paid back at the end of the time.

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* That is the only indebtedness allowed by law, except a mechanic's lien.—Ed.

Mr. Carleton: Well, it is after you have got 47½ in cash of the value of your farm and then you are paid back 50 per cent, paid back 50 per cent instead of 47½ per cent.

Mr. Morman: No, you are only paying 47½ per cent; that is all you are paying interest on. No; that is so—I see. That is right; you are paying interest—hold on, now, let's get Mr. Carleton's question right.

Mr. Carleton: Suppose you have a farm worth $20,000, and you borrow $10,000 on it, you do not get your $10,000, or if you do you pay five per cent of $10,000 back again, so that virtually you only get $10,000, minus five per cent; the rest you get in shares of stock.

The Chairman: That makes the rate 5¼.

Mr. Carleton: Yes. Well, in other words, you are paying a little more than five per cent. You have given virtually a bonus except that you may get dividends on these shares, in which case it is not quite like a bonus.

Mr. Morman: Yes, if you get the dividends, and it is anticipated they will get the dividends; then, of course, it will kind of even things up. But, as you say, at first there would be a little discrepancy. But it was done in order to bring in the man who did not have the cash to put up, and there are lots of farmers in that condition. Of course, these little difficulties will arise and you cannot make it perfect even if he has the cash to put up. I do not see that it makes any difference in principle. He could have the cash to put up and pay the bonus to a private broker and get the full 50 per cent value of the land, except that he is taking the risk of all investors that you may or may not get dividends.

Mr. Camp: Besides, if he gives it to the real estate man he never gets it back again.

Mr. Morman: No, I guess not.

Mr. Du Charme: I thought I was right on that, and it raises a question in my mind. The gentleman asks what is the difference between that and the nature of a bonus? Will this answer the question: The fact that he gets dividends on that stock and then the next thing, when he ceases to be a member, when his stock is paid, what becomes of that stock?

Mr. Morman: That stock is cancelled.

Mr. Du Charme: Then he gets his money back.

Mr. Morman: Then he gets his money back, or he can take a less amount and pay it on the balance of his loan.

Mr. Du Charme: Then he is not paying but 47½ per cent.

Mr. Morman: Well, he is paying interest on it.

Mr. Du Charme: Yes, he is paying interest; but if the dividends—

Mr. Morman: Yes, if the dividends come in it will put the balance up, but on the first you will have to admit that he is paying interest.

Mr. Bartlett: Just a word relative to the gentleman from Illinois who cited the case of where 10 farmers borrowed. Bonds were issued and sold. Five of the farmers then came in and paid off their mortgages. What becomes of the bonds that are outstanding against those five mortgages?

Mr. Morman: The loan association does not issue bonds; the federal land bank issues bonds.

Mr. Bartlett: That is, what they are based on is those 10 mortgages?

Mr. Morman: Yes.

Mr. Bartlett: Now, if half of those mortgages are paid—

Mr. Morman: Those bonds are cancelled.

Mr. Bartlett: I know, but suppose I own the 10 bonds; how am I going to be called on for them?

Mr. Morman: The law provides that they shall be called in—they are issued by series and the bank will call in that series.

Mr. Bartlett: I do not see anything in the law—I could not find anything in the law by which my particular bonds, if I held them, would be called in.

Mr. Morman: Yes; they are issued in series, and you will find that they will be called in. That is the old *Landschaft* principle.

Mr. Bartlett: It may be the principle, but I would like to have you point out the section of the law, if you will?

Mr. Morman: I do not know whether I could find it just now. But the bonds run for specified periods subject to retirement after five years at the option of the land bank. Any further questions?

Mr. F. N. Briggs (Colorado): There is one point, Mr. Morman, that has not been touched upon yet that I think is quite important, not only for this Conference, but for the whole country. In fact, there are two things prominent in this act that the country should be brought to support. The first, the forming of this coöperative loan association or national farm loan association. That should be encouraged to the utmost and the farmers should be educated and helped in every way to form these associations. This is the first legislation we have ever had in this country to help the farmers finance themselves on a reasonable basis, and now let us make the most of it. Second, the public is going to be invited to buy these bonds and unless the public buy these bonds liberally the system will not succeed as it ought to. And I wish you would explain, if you will, just how these bonds are secured and what makes them a desirable investment.

Mr. Bartlett: And whether they can be called in at any time.

Mr. Morman: No; they cannot be called in any time.

Mr. Bartlett: I thought you said—

Mr. Morman: That is in case the mortgage is paid up?

Mr. Bartlett: Yes.

Mr. Morman: Well, that is a different proposition.

Mr. Bartlett: Well, does not that mean that you can call in the bonds any time?

The Chairman: Perhaps I might enter here at this point. I think I can get the question, perhaps. The question is this: That the bond runs for a specific period of years and that bond is not paid until the years are completed.

Mr. Bartlett: Forty years.

The Chairman: Forty years. Now, the gentleman raises the question of what happens after a retirement of mortgages prior to that time under the provisions provided in the law. There is, I suppose, temporarily the necessary bonds in place of the retired mortgages until other mortgages can be brought in to sustain the bonds that have been originally put out. That you will find in section 19, page 20 of the act. But the retirement and payment feature is found in section 20.

Mr. Briggs: Explain about the bonds; how are the bonds secured and why they are a desirable investment.

Mr. Morman: In the first place the bonds are based on first mortgages that are given on farm lands up to only 50 per cent of the appraised value of the land, leaving a wide margin of security. Those bonds are issued by the United States government on the request of the registrar, who is a public official. All these bonds and the banks that issue them, both federal and joint stock—because provision is made for both kinds of banks to issue bonds so that they can be distinguished—are under strict government supervision all the time, so that we have here bonds based on first mortgages with a wide margin of security under government supervision and all of them tax free—local, state, municipal or national; and not only the bonds, but the proceeds of the bonds.

Mr. Briggs: Guaranteed by the banks?

Mr. Morman: All guaranteed by the banks; each bond issued guaranteed by all the other federal land banks.

Mr. Hughes: Then there is 10 per cent of stock still in the local association that stands back of it.

Mr. Morman: Five per cent only that is in stock. You must remember the liability comes out of the man's pocket; he would be called upon to pay that in case of failure of the association.

Mr. G. E. Putnam (Kansas): I think there is one other element there that will offer a great deal of security, and that is this: When the federal land bank is temporarily embarrassed, and is unable, perhaps, to pay these interest coupons, the secretary of the treasury may deposit six million dollars with the banks or $500,000 in one bank; $6,000,000 with all, if necessary, to enable them to pay their interest and make the bonds almost equivalent to a government bond.

Mr. Morman: That is what is known as a reserve credit; it makes a total of $6,000,000 that can be advanced at any one time to the 12 federal land banks to give them a reserve credit to pay off the coupons on their bonds in case of a depression in the money market.

Mr. Stull: Supposing the expense to the association is greater than we have expected, and that the time of depression, or any other time that the farmer pays his loan and there is a deficiency in there: will he get full value for his bond, when it might not be worth more than 75 or 50 cents on the market?

Will he get his full money back? That is, will he slide out from under any liability that might have been incurred?

Mr. Morman: Well, you see the associations do not issue the bonds, and there is no possibility, as far as I can see, of his shirking his liability, because he is a member of the association, and he cannot leave the association as long as he is a borrower, as long as he pays off on his mortgage.

Mr. Stull: But you do not get my idea. We will assume a fixed liability on all the borrowers, and 10 per cent of them draw out. Their stock is not really worth it, because the expense at that side of the game is such that their stock has been duly absorbed and used, most of it, in expenses. Now, does that farmer who pays off first get out from under all that liability which was incurred to help him to his benefits?

Mr. Morman: Yes; if he is out of the association.

Mr. Stull: Then, as the stronger ones draw out the man then will get an undue proportion of this expense, will he not?

Mr. Morman: Unless your association is growing, which we will assume; in which case as fast as one gets out, or even before he gets out, we will assume that the association is growing so that the expenses will be borne equitably right along. Of course, if the membership decreases and the expenses keep up, why then there will be a proportionate increase of the expense on each retaining member.

Mr. Stull: But part of that expense has already been incurred when I have had my money and got the benefit of my low rate. If I draw out does that all fall back on the other borrowers?

Mr. Morman: Well, the expenses have been incurred right along. I hardly think that we could assume that the man who happens to pay for his loan is responsible for any back expenses because he is bearing them as a member.

Mr. Stull: Well, he is out, though, on the stock.

Mr. Morman: On which stock?

Mr. Stull: The stock that he owns. By what virtue, under his guarantee, does he get any money except in that way, or pay any.

Mr. Morman: He pays no money unless he is assessed because the expenses of the association are more than its income.

Then, if you are driven to an assessment, why, of course, he will have to bear his share.

Mr. Stull: And first, if you use the money that is in your hand and accumulate that fund by the sale of this stock—

Mr. Morman: You mean the reserve fund?

Mr. Stull: Yes.

Mr. Morman: The reserve fund is provided for that purpose. In fact, the law provides distinctly that in case of any reduction of that kind and that reserve fund has been partly used up, they cannot pay any dividends until that reserve fund has been restored to the 20 per cent of the outstanding stock.

Mr. Stull: Now, in civil matters, in corporations where stockholders are sued as a general principle of law, that stockholder who has just sold out to avoid his liability is assessed prorata for the amount of liability that was created while he has held his stock. It is frequently not discovered until later, and the courts hold that that was accumulated and created while he was a stockholder, and he is justly liable. Is there any similarity in this case?

Mr. Morman: Except that I do not like the idea of "selling out," because he must pay off his mortgage in order to get out, and in that case he is out of the association and has no further responsibility.

Mr. Stull: But you do not get my point.

Mr. Morman: Yes; I get the point. You are trying to get me to admit that that man has a responsibility which he does not have.

Mr. Stull: Not at all. Five per cent of the stock has a double liability, and if there should be possible defaults in his district or in the country so that assessments would have to be made on the stock to make good any depreciation on the bond—now, supposing that has run on until all of that five per cent has been absorbed in meeting these conditions and these expenses. Now, if he got the benefit of this credit, can he get out from under that liability?

Mr. Morman: If he got out of the association before there was any suit taken, of course, he would not be held responsible because he would not be a member of the association.

The Chairman: If Mr. Morman wants to quit—

Mr. Morman: No; quit nothing; I am in rural credits to stay just like this act is here to stay.

The Chairman: I do not mean it in the sense of pulling down the flag.

Mr. Morman: No; if I can answer the questions put to me I want to answer them.

Mr. David Brown (Washington): I want to ask Mr. Morman regarding personal credit. I understood him to say that he would like to see a resolution along those lines, and I have had some experience in that and I would like to state the source of my interest. I am in the creamery business in the Northwest. Some 10 years ago there came an occasion where there was a lot of people in the Yakima valley had a lot of hay that they could not sell for over $3 a ton. The banks were not in shape to handle them. And they came to our company and wanted to know if we could not buy the cows. We did not have any money in cows, but we arranged with a bank in Spokane. We were turned down by two banks, but we saw the need and kept at it until we got one of the banks, providing we paid them 10 per cent. We were paying seven I think. We went back to the Yakima valley and arranged through the local bank to handle those loans by putting mortgages on the cattle per head and worked that out. It was practically a personal credit proposition. We had something like $100,000 along that line. They were to pay us half of this. One of the most influential bankers there today has told me since. He said that a dozen or more of those men do come to him every once in a while and thank him for saving their lives. That is, they would have gone broke and lost their property and everything else. I believe that personal credit is one of the biggest moves in this country today out in that country. Now, some of those fellows do not need that system, but they do need it in other parts. I believe it is the greatest move and if there is something required along the line of a resolution I would like to make a motion to that effect.

Mr. Morman: Let me say that each of the political platforms four years ago advanced a rural credit system. Well, we have only got one side of it and that is mortgage credit. There are lots of things that can be offered as security for short-term loans, and the personal credit matter is a thing that we are going to have. Now, a year ago we didn't have a mortgage credit system, and perhaps a year from now we will have both a mortgage and a personal credit system, and I hope it will come.

Mr. Lambert: The question has been raised, after this system gets established and the banks begin to pay dividends, whether there is any limit to the dividends which can be paid. Now, for instance, in some of our states we have coöperative laws. We can only pay say, six per cent dividends on the capital stock. Is there anything in this law which will limit that in case the dividends become really large?

Mr. Morman: There is no limit in the law, but there is this: that the federal land banks are allowed to issue bonds up to 20 times the amount of their subscribed capital and surplus, and they are allowed a margin of one per cent between the rate on bonds and the rate on mortgages. Well, the one per cent through the issue of bonds is practically equivalent to 20 per cent, but then they have to pay all other expenses out of that; so that, when you come to pay all expenses of running the federal land bank, I don't think there is very much prospect of their getting a very high dividend. But if they should, there is no limit so far as the law is concerned. Furthermore, as I said once before, government stock in the federal land bank draws no dividends, and the profits all go over to the associations. But there is also another provision in the law which provides that, after $750,000 worth of stock has been subscribed to the federal land bank by the associations, that thereafter semi-annually 25 per cent of all other subscribed stock shall be paid toward the taking up of the government stock and gradually retiring it, so that finally the government stock is all withdrawn. When that occurs the federal land banks and national farm loan associations are all in the hands of the farmers and they get all the benefits. If they can make six per cent or sixty per cent, let them have it; but they cannot make it, of course, on account of the limitations of the bond issue. But whatever they make it will go to the farmer, and it is to their interest to support the coöperative system here outlined. That is why I struggled hard for the coöperative principle, always have, because I believe it will accomplish more in this country—coöperative buying, coöperative selling, coöperative credits—for the farmers, as it has done in Europe, than any other thing that I know of.

Mr. Ferris: (Illinois.) The question was asked early in the meeting, or in the discussion, what per cent the farmers would have to pay on their loans; you were not able to tell them.

Mr. Morman: What per cent they would have to pay on their loans?

Mr. Ferris: Yes.

Mr. Morman: No; but I did state afterwards that, in all probability, it would be five per cent, because the first decision of the interest rate is to be determined by the Federal Farm Loan Board and their decision will undoubtedly be based upon a prospective rate that the bonds will bear, and consequently the mortgage rate will bear.

Mr. Ferris: Can not the national banks loan money on farm mortgages?

Mr. Morman: I think one gentleman said they could loan 10 per cent.

Mr. Ferris: Well, is it a fair question to ask what per cent the national bank pays the government for the money that they get from them? Couldn't it be determined by the experience of the national bank as to what the farmers would have to pay to these farm loan banks?

Mr. Morman: Oh, the national banks put up government bonds and have currency issued on them; it is a different proposition.

Mr. Ferris: What percentage do the national banks pay of the money that they have?

A Voice: Two per cent.

Mr. Morman: Two per cent.

Mr. Ferris: Why can not it be determined, or will that make a little disturbance between the national banks and the farm loan banks?

Mr. Morman: No; there is no relation whatever between the national banks and the federal land banks.

Mr. Ferris: It was discussed here at one of these conferences a year or so ago; I can not recall the gentleman's name, but he came out and said most emphatically that the national banks did not pay one cent.

Mr. Morman: Well, he probably knows more about it than I do, for I don't know anything about it.

The Chairman: I think that is a wholly different question. It takes in what the national banks pay for their money by the various requirements, like a deposit of five per cent which they must keep against all bonds and then they must pay also for the cleaning of money and everything of that kind. There is no advantage, therefore, in the holding of bonds. That is a wholly different question, however. I wanted to ask this question: Here is a man who owns, we will say, a half section of land, and he is a man, a tenant of that land. He pays for the feed; he pays for all of the different agricultural operations and even including the breaking of the new soil, whenever that is necessary, and, at the end of the season, he takes one-half of the profits, and out of that he pays the necessary expense of threshing and everything else, taxes, interest on the mortgage, if there is any, etc. Is he entitled under this law to borrow?

Mr. Morman: Well, do you want my opinion?

The Chairman: Well, of course I would like to have your opinion, and then I would like to know also what the law is.

Mr. Morman: I am very liberal in my interpretation of the act, and I will tell you why; because the first provision says, "This is an act to encourage agricultural development." Now, as long as the land is being put to use, to me that man would be entitled to borrow, providing he can become a member of a national farm loan association organized in the locality of the land. Now, if the association elects him into membership, his membership would naturally entitle him to borrow, and he could not borrow unless he came in as a member.

The Chairman: Supposing a man like that took the matter into his own hands and organized a society in the neighborhood of where his farm was located, would he be entitled to do that? Is there anything in the law to prevent him from doing that?

Mr. Morman: Certainly not; let him go ahead and organize. We want just such men to take the initiative.

The Chairman: As I have read the law and stated it, it seems to me there is a very nice question of who is a farmer.

Mr. Morman: I know that, but the law does not say that the Federal Farm Loan Board shall define what is a farmer. The only two words there that the Federal Farm Loan Board are authorized to define are "equipment" and "improvement." That is in section 21, subdivision 4, (b) and (c).

Mr. Davenport: I have the act here: "Every borrower must be engaged or about to become engaged in the cultivation of the farm." The question is, what is cultivation?

Mr. Morman: Yes. Well, that is it. That would be a matter of interpretation and I give it a very broad interpretation, because I can't get away from the fact that the purpose of the act is to encourage agricultural development. And now, the board may pass different rulings from that. They have practically done so, and it has raised lots of trouble; but I take a very broad view of it.

Mr. Collins: Mr. Chairman, I would like to ask a question of Mr. Morman, and possibly of some of the money lenders here jointly. Take the case of the farm land bank lending money under this law on a farm which has a land value, say, of $10,000, on which there are buildings appraised at $6,000, how much can the farm land bank lend on that farm, and how much will an insurance company or a mortgage company lend on that farm? My understanding is that the farm land bank can lend $5,000 on the land, and can lend 20 per cent of the $6,000, which would be $1,200. The farm land bank, in other words, can lend $6,200 on a $16,000 farm. Now, isn't it customary for mortgage loan companies to lend as much as $8,000 on a $16,000 farm and in regions where they are lending now at five per cent, wherein is the advantage offered by the farm loan bank?

Mr. Morman: Now, under those conditions there is no advantage; but let me give you a little inside history into that law. Originally that 20 per cent was not in there, but when we are dealing with congressmen we are dealing with a strange kind of human being.

Mr. Collins: Have not they killed the very purpose of the law?

Mr. Morman: No, they have not killed it; they have modified some of its features, but they did get that in the house bill, and then they fought in conference until it looked as if they would never come to a conclusion, and we would not have had any bill. But I am mighty glad that we have got something, a wedge, because you know and I know what struggles we had up there during the month of June to get any deal through at all, and while we have got that limitation there of 20 per cent on the buildings, why we live in hopes, you know, that the time may come—

Mr. Collins: Well, as a matter of fact the law is now practically killed.

Mr. Morman: No, no; killed nothing. That is not killed, just because they do not lend 50 per cent on the buildings; that doesn't kill the law. They get 20 per cent on it anyhow, and then the farmer has got to keep his buildings insured, and he may not want that much.

Mr. Camp: Can't you consider a necessary face card, because there are lots of improvements put on land that are not paying improvements and if you let farmers have 50 per cent of the improvement value that doesn't have any income, where would you come in?

Mr. Collins: Is not a silo, for example a better improvement than 40 acres of unimproved farm land?

Mr. Kane: (North Dakota:) Mr. Chairman, it seems that the gentlemen all live where money is easy to get.

Mr. Morman: What state are you from?

Mr. Kane: North Dakota.

Mr. Morman: Where you pay 10 and 12 per cent?

Mr. Kane: We pay 10 per cent on realty mortgages, and we do not know whether we can get our mortgages renewed or not, and we have to take off our hats to the bankers every time we meet them.

Mr. Morman: Go on and give us some more of that. I get letters from North Dakota where they tell me they are paying 12 per cent and don't know whether they are going to get any money at all.

Mr. Collins: Mr. Chairman, I just renewed a mortgage on a half section farm in North Dakota at a little less than seven per cent.

Mr. Kane: I will explain that to the gentleman. In North Dakota there are two parts, the east part and the west part.

The east part is settled up and the farmers are well to do. Now, to illustrate to my friend from Illinois, I will give him a little illustration, and I would like to say to my friend from Illinois that some in Illinois are paying seven per cent yet.

A Voice: I am one of them myself.

Mr. Kane: Now, gentlemen I will tell you how that is handled. The Illinois people send their money out west and I believe they are foolish not to send it out for five per cent, but they don't send it to the farmers, they send it to the bankers and real estate men, and when we want to get a real estate mortgage out there we make out two mortgages. The first mortgage goes to the man that furnishes the money, and the second one goes to the man that loans the money. Up to last year we could not borrow money for any length of time and in only a few instances could we get them to accept $100 or any multiple. Now, what is the condition out there? They do not want to lend us money unless we take it for five years. Now, this farm land credit association is what we need, because we want to build some silos out there. We have got the land. We have got the land that will grow alfalfa, that is worth $50 or $60 an acre, and we can't borrow at the present time more than $6 an acre on it. Who is it makes the appraisement? It is the banker that makes the appraisement, and he makes it to his own advantage, and if you are a good friend of his he may give you a good loan, if you take your hat off to him every time you meet him; but if you are not a good friend of his he don't give you any loan at all. We tried to get money to build a farmers' elevator. How much could we borrow? We had five men worth at least $15,000 to secure the note for $2,000, and they wouldn't lend us $1,900 on it. That is the way we are tied up in the part I live in. And if some of these other gentlemen around here kicking on this land bank association would get out there and try to borrow some money they would change their opinion.

Mr. Du Charme: Does this limit of $10,000 apply to the land or the property? For instance, can a man make two loans, a loan on two different farms?

Mr. Morman: That is a question that has come up very frequently. It looks as if an individual is limited to $10,000 no matter how much security he has got. It would be an individual matter rather than a security matter. Except this, it might be possible in this way: For instance, a case came up like this: A man has two farms and he can put one in his name and one in his wife's name and they both join the association and they can get the $20,000.

Mr. R. D. Kent, (New Jersey): Can you borrow money on half of your land, or do you have to take the whole farm as security?

Mr. Morman: No; you can state the amount of land in your application. That is a good question. A man, when he applies for a loan describes the land he wants the loan upon. It may be part of his farm. He may have a cultivated part of his farm and also have wooded land that he doesn't want to get a mortgage on, because he might want to borrow on this cultivated land to clear that timber land. Now, the law allows him to borrow and use the proceeds for improvement. The law also allows him a reappraisal if he has cleared his land and raised its value, in which case he can have a reappraisal and borrow more than he could before.

Mr. Kent: And you could borrow on just half of your land and give another company a mortgage on the rest of your land.

Mr. Morman: Yes, certainly, there is no jurisdiction over that whatever, providing your loan is made upon the particular land described in your application and the proceeds of your loan are used on that land or for some other purpose which you specify.

Mr. Camp: We sometimes ask the question whether a farmer who wishes to borrow on farm land and his security in the farm land is not quite sufficient to cover the amount of loan that he wants to borrow, if he can put in a piece of town property?

Mr. Morman: No; the law distinctly says that mortgages shall be on farm lands. In that case he could borrow up to the 50 per cent of the appraised value of the land, and if he didn't have enough then he could give a second mortgage if he could get anybody to take it.

Mr. Smith: The way the law stands at present, from your interpretation, to what extent can that money be used for productive purposes?

Mr. Morman: Well, it is specified there in section 12, subdivision 4, for the purchase of land, for the purchase of fertilizers, for stocking the farm, for improvements, and for paying off an existing mortgage. I think those are the four propositions there. Anything of that nature—fertilizers, seed, livestock, implements, improvements, fencing, drainage, all things that would be of value so that when they are put there they improve the value of the property,—those are productive purposes.

Mr. Hughes: If they get money at five per cent under the amortization payment, what would be the annual payments to pay it off in 40 years, do you remember?

Mr. Morman: At five per cent interest on a $1,000 loan it would be about $60, that would pay it off between 35 and 36 years. There is one mistake that is often made; the amortization plan is stated in terms of percentage, but that is not the case. It cannot be stated that way. A farmer comes up and he asks for a loan. He says he wants $1,000 and he wants it for 35 years. Well, then you see the amount of his instalment based upon those two determining factors is not in terms of percentage at all; it might come pretty near one per cent, a little over or a little less, as the case may be; but that is the fact; the farmer states the amount of his loan and the length of time and the instalment is figured out.

Mr. Hughes: It would be around $60 for 35 years?

Mr. Morman: It would be around $60 for 35 years. That pays his interest and his principal all off at the end of that time, and in such small payments it practically amounts to interest, and less than a good many farmers are paying interest. And that is the great advantage of the amortization plan. Mr. Thompson, who was to appear tonight, was particularly to deal with that question, and it is a very interesting and important question. It is not thoroughly understood, even by our agricultural editors, I am sorry to say, but it is one of the most excellent features of this law, and if for no other reason the act itself is justified for having that principle carried out on mortgage loans.

Mr. J. T. McKee (Alabama): Suppose that 10 farmers in need of money form a local association, how soon can they reasonably expect the secretary-treasurer to have that money in hand; 30 days or 90 days?

Mr. Morman: It will probably be less than that, as soon as the law is in operation. For instance, it won't take very long for the secretary-treasurer to make out his application and send it up to the bank, and we will assume that the appraisal committee has appraised your land and probably within two, three, or four weeks, if the loans are granted at all, they will get their money.

Mr. McKee: Another question I had in mind was whether they would have to wait for the federal appraiser to come.

Mr. Morman: No; because they expect to appoint as many appraisers as the demands of the work will call for.

Mr. Eliot: I think you could use the money to pay off a mortgage providing the money had not been placed since the law was made; is that right? Is there any question about that?

Mr. Morman: No; if a mortgage exists on the land, one of the provisions of the law especially is that a loan can be used to pay off an existing mortgage.

Mr. Eliot: So it doesn't matter when that is placed?

Mr. Morman: No.

Mr. Millington: Might it not be well to call attention to the names and the special amortization tables?

Mr. Morman: That also is in circular No. 60, issued by the United States Department of Agriculture.

CREDIT UNIONS AND NATIONAL FARM LOAN ASSOCIATIONS

William R. Camp *

As the factory system has developed for the production of wrought goods cities have become large centers of demand for farm products, markets have become more distant, the production of farm products has become more specialized and credit more necessary to carry farmers between the harvesting and sale of one crop and another. All business is done more

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or less on a credit basis. Our railroads borrow through the issue of bonds at a low rate of interest up to the full value of their tangible assets. To borrow is only a misfortune when the interest rate is too high and the time of repayment too short. The farmer's production of goods is not like a manufacturer's—daily, but seasonal. His planting of a crop is an investment upon which it may take a year to realize. Consequently if he does not make enough on the last year's crop to provide him, his family and stock with food and his land with fertilizer or other needed supplies until another crop is grown, harvested and sold he must get credit of some kind or other. The period between crops and sales may be anywhere from a month in the case of dairy farming to a year in the case of cotton or grain farming.

In the Cotton belt states, operating credit takes the form of supply store credit. According to the reports of bankers the amount of supplies advanced on credit is 58 per cent of the value of the cotton crop, or $30,000,000 for North Carolina alone.

The bankers in the 54 cotton producing counties of the state estimate that farmers pay on an average 19.2 per cent more for goods bought on time than they would had they bought them for cash. If these accounts run for 6 months this would mean an interest rate of 38.4 per cent. The problem of short time credit then is a real one, whether the community knows how to solve it or not.

Progress of State Aid to Rural Credit

North Carolina has done more than any state in the Union to solve this problem of rural credit through its credit union law. Eight other states have passed credit union or coöperative banking laws for short-time loans. Massachusetts, following the lead of Canada, passed the first credit union law in the United States in 1909. Credit unions have been formed in Boston and New York City. But so far as we have been able to learn, no credit unions have been organized among farmers in any state outside of North Carolina, excepting those promoted and maintained by the Jewish Agricultural and Industrial Aid Society.

The North Carolina law is modeled after the Massachusetts and New York laws. But the North Carolina law makes provisions for the promotion and supervision of credit unions by the division of markets and rural organization of the North Carolina Agricultural Experiment Station and Extension Service, while the latter states have no provision for organizers.

According to the provisions of the North Carolina law, a superintendent of credit unions and one assistant have been appointed by the joint committee of the State Department of Agriculture and the Agricultural and Mechanical College. Upon the application of 12 farmers the superintendent of credit unions or one of his assistants in the division of markets is required to go and assist them to organize a credit union. The division of markets makes no charge for organizing, incorporating, or examining a credit union. The only expense for incorporation is one dollar for notary fee and three dollars for recording. Without some such state aid no more credit unions would be organized in North Carolina than in other states. Nine credit unions have been incorporated to date, and several more are in process of organization.

Difficulties That Face Organizers

The sparseness of settlement and isolation of American farmers have made it difficult for them to meet and organize. From four to five meetings are necessary to inform farmers of the advantages of a credit union, and to show them how to organize, incorporate and operate such an association.

The community selected for promoting a credit union should be five miles or more from a commercial bank and should be composed of farmers who largely operate their own farms. They must not be so poor that they are mostly dependent upon a supply store, though some may be. If they are too well-to-do they may be lending to one another already and may not be interested in working through a credit union, which charges a lower rate of interest. There should be, however, some substantial farmers to invest in a credit union, not because they need to borrow, but because they believe that the credit union will serve the community. One such farmer states the value of a credit union: "I am a great believer in the credit union as a community asset. So much so, that I hope in the near future to see every community have such an organization. I know of nothing at present which means more to us as a community, bringing our people closer together, thereby uniting us in closer business relations with each other.'' The membership of substantial farmers in a credit union will provide the necessary capital and leadership and help to inspire confidence on the part of the bank with which the credit union is to do business.

Credit unions, or coöperative banks, are so new to farmers that they cannot be expected to favor their organization until an organizer teaches its advantages through several meetings. An organizer has to show the costs of the old system of individual credit, the advantages of coöperative credit and the ease of operating a credit union. As a farmer needs financing between crops the organizer has to point out the necessity for accumulating all savings of a country community in a coöperative bank, for lending them on approved security and financing needy farmers in the coöperative purchase of supplies. The work of an organizer in North Carolina thus primarily is to show how a credit union will free its members from exorbitant time prices and help them to make coöperative purchases for cash, help them in fact to buy in large quantities in whatever market they may buy the cheapest.

How the Lowes Grove Credit Union Operates

Nothing shows an improved method of finance like an actual demonstration. Thus the Lowes Grove Credit Union, the first credit union organized in the state, when it came time to buy fertilizer, appointed a fertilizer committee to find out how much fertilizer its members would need to buy, and where it could be bought cheapest. Finally 114 tons of fertilizer were bought for cash at $660 less than if it had been bought in small separate amounts on time. The credit union loaned some of the members the necessary funds from its own resources and borrowed $800 from a bank for the other members, so that all could get the benefit of buying fertilizer for cash. In this connection it should be stated that the Federal Trade Commission has found in its investigation of fertilizer prices that it is the "time-prices" of fertilizer which are excessive. The problem of coöperative ordering of farm supplies cannot be solved apart from an efficient method for financing such purchase. If the farmer buys the supplies needed for operating a farm at retail rates he is at a disadvantage as compared with the factory producer, who buys raw material at wholesale rates. Moreover, a farmer who is tied in the purchase of his supplies to some dealer because he is dependent upon him for credit is also tied in marketing what he produces. He will have to sell when and where his creditor says.

Financing A Credit Union

Now, how does a credit union get any funds of its own to lend to its members? From two sources: its share capital of $10 a share, which comes from members, and deposits, which may come either from members or non-members. A credit union cannot legally pay more than six per cent on stock and can pay four per cent or more on deposits. After all expenses and a dividend are paid and 25 per cent is set aside for a reserve fund, all profits may be pro-rated to members in proportion to amount borrowed or to depositors in proportion to amount each deposits, or equally to both. Thus a credit union is a coöperative bank for gathering the savings of a community together and for lending them to members at cost, the rate of interest not to exceed six per cent.

Dividing the Surplus Among Depositors

The cost of operating a credit union is low. Hence, there is a surplus to pro-rate to depositors, which should increase the rate of interest to four and a half or five per cent. Many farming communities, which have commercial banks, would be better off if they had credit unions or coöperative banks instead. A country bank has an expense of $2,000 to $3,000 for a building to start with, and an annual expenditure of $1,200 to $1,500 for cashier and $600 for a clerk. It has a small volume of business to meet these expenditures and consequently must charge all farmers who do business with it a high rate for every service performed. A credit union saves all such expenditures. Its business is done at the home of its treasurer, who acts as cashier. It pays its treasurer from $25 to $50 a year, who takes only two to three hours a week to keep his books and to receive and pay out funds.

How to Overcome Suspicion

A large proportion of American farmers are not accustomed to trusting their savings to any one's keeping. German farmers, on the other hand, in 1911, on an average, deposited over $10,000 in each of their 17,000 credit unions. This represents a confidence in coöperative banking organization which our farmers are only beginning to learn. Our farmers are untrained to habits of coöperation and are suspicious of any one who wants to start anything new, and are inclined to ask, "Who next wants to put his hands in our pockets?" But then 65 years ago the German farmers were suspicious. That was their proper protection from the money sharks. Very slowly they learned confidence and to coöperate, until now they have over a hundred million dollars on deposit in their own coöperative banks.

In Canada the average capital stock of the 150 credit unions now in operation in that country is estimated to be $7,000 each, while their average reserve fund is $2,000, average deposits $12,000, the average deposits of a member $250 to $300 and the average amount borrowed $50.

In spite of our unfavorable conditions we have moved several times as fast as the German farmers. Between December 1, 1915, and March 15, 1916, seven credit unions were organized by the division of markets and rural organization. Our credit unions are moving slowly, but so did the Canadian Credit Unions 16 years ago, according to Alphonse Desjardins, the great organizer of credit unions in Canada, who wrote to me recently a very encouraging letter in reference to the progress of our work.

Turning Money Currents Countryward

The movement of funds has always been toward the large trade centers. This drains the rural districts of capital. Tradesmen in the cities, who get credit at a lower rate, are enabled to take the crop off the hands of the farmer as soon as it is harvested, finance its immediate distribution and sale or its storage until prices are favorable. It is hoped that the credit union, together with the national farm loan association, will stem the stream of credit that moves away from the country to the city, keep what funds that are in the country there, and turn the current of cheaper credit from the cities to the rural districts for the development of country enterprise. One banker stated to me: "Your credit union provides the machinery for getting credit into the country. We have plenty of funds to loan, but no way of getting them out to the farmers. Your credit committee, which passes on the sufficiency of the security offered by its members, is just what we want to put us in touch with the credit needs of a country neighborhood."

Forming Farm Loan Associations

The organization of national farm loan associations, authorized by the Federal Farm Loan Act, by our division of markets and rural organization has been relatively much faster than that of credit unions. As soon as the Federal Farm Loan Act was passed we published an article in the Extension Farm News on the advantages of the act. This was printed largely by the newspapers of the state and afterwards was published in the form of Extension Circular 14. About 12,000 copies of this circular have been distributed, direct by mail, through meetings, and through county demonstration agents. In the same way 10,000 blanks for individual applications for loans were distributed. The purpose of this blank was to enable a farmer to file an application for a loan without waiting for other farmers to act. These individual applications may later be grouped together in national farm loan associations, according to township or county, depending upon whether the number of applicants is sufficient to form an association in the smaller district. The first principle should be to make the district covered by an association as small as possible so as to reduce the expense of travel of the loan committee.

As a result of this educational campaign by November 24th, 57 national farm loan associations were formed applying for $2,445,725 in loans, and individual applications for $699,325 more of loans were received by the division of markets and rural organization, making a total of $3,145,050 applied for.

Notwithstanding all that has been said of the independence of the American farmer and his weakness to do team work with any one, and his slowness to organize, it is turning out to be surprisingly true, as shown from our experience in North Carolina, that farmers are ready to organize national farm loan associations to borrow coöperatively. This is because the old system of borrowing through banks and private individuals and to a small amount through insurance companies has been entirely inadequate. The cost has been too high. The nominal legal rate of six per cent has been added to by commissions and bonuses. There has been no provision for repayment of loans in small amounts. Loans have usually been made for one year with the necessity of renewal.

South Needs More Capital

Under these unfavorable credit conditions the South has been largely at a standstill for lack of new capital. While the land in farms for the total area forms 46.2 per cent for the United States and 71.9 for North Carolina, still the per cent of land in farms which is improved is 54.4 per cent for the United States and only 39.3 per cent for North Carolina. These figures show that a large per cent of our land is in farms, but a small per cent of the land in farms is under actual cultivation, in fact the smallest per cent for any state among the South Atlantic states except Florida.

The difficulty encountered in promoting national farm loan associations is mainly to get the farmers to understand the necessity for an additional liability of 10 per cent of his loan for the debts of others. But we do not find that farmers object to this limited liability of five per cent stock investment, and once over, when they understand that it helps to guarantee that the security shall be ample and to establish the farmers' security in any place in the United States in order to obtain the lowest possible rate of interest. Properly understood the additional liability is not a risk but an asset to lower the rate of interest.

Whether all the applications for loans will be valid will depend largely upon the definition by the board of the word cultivator. A soap manufacturer is considered a soap manufacturer irrespective of whether he puts his hands to any machinery or not. Will a farmer who directs laborers to cultivate the land for him, in the same way be considered a cultivator even though he may himself not drive a cultivator? In the South a man who would apply for a $5,000 or $10,000 loan, as is permitted by the law, would probably do no driving of a cultivator or plow himself; this is the contrary of what would be true in the West.

The manifest purpose of the law is to lend funds not to the speculator; there is too much of that done already for the good of farming to need any additional encouragement,—the purpose of the law is to lend money to the man who is actually engaged in farming. But where shall the line be drawn? One of the Federal Farm Loan Board stated that a man who farmed through farm laborers would be permitted to borrow under the act. Will then the farmer who works his farm through croppers, as is largely the case in the South, be permitted to borrow? The cropper acts under the direction of the owner but receives a share of the crop for his labor instead of money. In one county in North Carolina farm owners who operate their own farms find that they have to rent a negro cropper 10 acres in order to be able to hire him for a dollar a day when needed.

In conclusion, who may become a member of a national farm loan association will depend upon the interpretation the board gives the law. We trust that its policy will be broad enough to fit conditions in the South as well as in the West.

The need of the South for a law like the Federal Farm Loan Act is imperative, as is shown by the rapidity with which the farmers of North Carolina have taken hold to organize under the law. With the credit unions, for short time loans, and the national farm loan associations, for long time loans, farmers will have a complete system of coöperative credit of their own, a system which can be made as complete for agriculture as the state and national banking system is for the commercial interests.

CREDIT PROBLEMS OF THE SOUTHERN PLANTATION SYSTEM

Lewis Cecil Gray *

The problem of the negro farmer is the most difficult of the problems involved in the present movement for the socialization and humanization of American farm life. The magnitude of the problem is indicated by the fact that in 1910 the total number of negroes engaged in agricultural pursuits (including forestry and animal husbandry) was 2,893,674, or about 23 per cent of the total number of farmers in the United States.

The impression is quite general that the importance of the negro problem as a rural problem is declining because the negro is leaving the country and moving to town. This statement is often made the basis of a careless attitude toward the problem of the rural negro. As a matter of fact, however, the proportion of all gainfully employed negroes 10 years of age and over engaged in agriculture increased from 53.7 per cent in 1900 to 55.7 per cent in 1910.

We have no satisfactory statistics whereby we may ascertain accurately what proportion of the nearly 3,000,000 negro farm workers are connected with the plantation system. In 1910 the census bureau gathered statistics from 325 selected counties in 11 southern states. Although this number comprised only about one-third of the total number of counties in the South, it covers, with the exception of a few small districts, all the territory in which the plantation system is known to be an important form of agricultural organization. In this area schedules were obtained for 39,073 plantations, comprising 398,905 tenant farmers. Making allowance for the probable number of white tenants under the plantation system, most of whom are in Texas, the negro tenants operating under the plantation system were 43 per cent of all negro farmers and 57 per cent of all negro tenants.

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What Is a Plantation?

The term ''plantation'' is defined by the census bureau as follows: ''A tenant plantation is a continuous tract of land of considerable area under the general supervision or control of a single individual or firm, all or a part of such tract being divided into at least five smaller tracts, which are leased to tenants.'' It is obvious that the outstanding characteristic which distinguishes the plantation system from ordinary tenant farming is the fact that the plantation tenants are subject to the supervision of the operator of the plantation. The degree of supervision varies widely in the plantation districts. In many districts it is so complete that the tenant is practically a laborer working under the control of the plantation operator or his representative, who dictates the kinds and acreage of crops grown, the amounts and kinds of fertilizer and seed employed, the methods of planting, cultivating and harvesting the crop, and even the disposition of the tenants' own time. At the other extreme are plantations whose operators interfere but little in the actual policy of farming except possibly to determine the acreage to be devoted to cotton and other crops, the amount of fertilizer employed, and other minor details which are vitally related to the landlord's interest in every section of the country. The tenants are largely left to their own devices both in the methods of operation and in the employment of their own time. Most of the plantations of the South will fall between these two extremes.

There are three great classes of plantation operators. Perhaps the most numerous class are the landowners, who reside on plantations or endeavor to operate from nearby towns by more or less frequent visits, sometimes residing temporarily on the plantation during the most critical periods of the crop year. Frequently they employ resident managers. Another important class consists of persons who have leased large tracts of land which they operate on their own account by a regular plantation organization. In many parts of the South, however, the local merchant who furnishes the necessary credit to the tenants for the year's operations has taken over the work of plantation supervision and control, functions which he exercises sometimes directly, sometimes through employing resident managers or riders who travel from plantation to plantation.

Surveys Needed in Southern States

With regard to the details of farm credit in the South, there is at present an amazing absence of concrete information. It is unfortunate that the commission which investigated so thoroughly the systems of rural credit prevailing in Europe did not find it possible to extend their investigations to the study of conditions in this country. Some thorough local studies of credit conditions in typical regions in the South are greatly needed. I find it necessary, therefore, in describing rural credit in the plantation districts, to speak in terms of the general information acquired from a personal study of the plantation system extending over a period of years—a study that was facilitated by the opportunity to spend some months during the year 1911 investigating the plantation system in Texas, Louisiana, and Arkansas, as special agent for the census bureau. This past week I made a special trip to the well-known Yazoo delta region along the Mississippi, south of Memphis, where I had unusual opportunities to talk with some of the best informed and most prominent men of the district.

The problem of plantation credit is four-fold. It may be considered from the standpoint of the plantation owner or operator and from that of the tenant class. Each of these points of view breaks up into the familiar divisions of mortgage credit and personal credit. I shall first give a few facts concerning the credit of the plantation operator, devoting the remainder of the paper to the tenant's credit.

From the standpoint of the plantation owner the problem of mortgage credit is probably not more difficult than it is in other sections of the country. The South is lacking in the advantages enjoyed by the Middle West in the active competition of insurance funds, savings bank deposits, and the local money lender. Consequently interest rates are considerably higher than in the Middle West. In the greater part of the cotton region east of Texas, the rate on mortgage loans, including commissions and expenses, is commonly from eight to ten per cent. In some general farming sections, as around Nashville, Tennessee, the rate is as low as six per cent. I am told by a representative of one of the large insurance companies, which has recently entered the plantation districts south of Memphis, that his company lends in the Delta on first mortgage security at 5½ per cent net. The commission is 1½ per cent per annum, making the loan cost the farmer 7 per cent.

Farm Loan Act Reduces Interest Rate

Until a few months ago the gross rate was eight per cent. The fall in the rate is attributed to the increasing abundance of loanable funds seeking investment. The representative of one of the largest insurance companies expressed the opinion that the fall in the rate is directly due to the threat of competition from the farm loan banks. It is perhaps in point to suggest, however, that the farm loan law in its present form does not seriously menace private enterprise so far as loans on plantation lands are concerned, for the limitations on total borrowing power of associations and on the amount loaned to individuals are likely to prevent the planting class from resorting to farm loan banks as a source of mortgage credit.

The high rates on first mortgage loans in the South are partly due to the fact that the South, like the West, is still a debtor section, and partly to the conditions peculiar to the South—especially to the plantation regions. The most important of these conditions is the lack of a well developed market for lands and of well defined market values. Precisely because the demand depends entirely on those who control large amounts of capital, the market is narrower than if the small investor were also included in it. On the other hand, in wide areas of the South where small farming prevails, agriculture has not yet completely developed out of the earlier stage of self-sufficing farming conducted for the purpose of securing a living direct from the soil, at most supplemented by money products from which a living may be derived by exchange, as contrasted with regions where the immediate object is money profits on a fixed investment. Other regions have but recently passed beyond these more primitive stages of evolution. Consequently the older conceptions of borrowing as a product of personal necessity and of a debt as a sort of personal disgrace have not passed over into the new conception of indebtedness as a form of equity in property and business.

The margin of security for first mortgage loans in the Delta is about 50 per cent with no specifications as to the use to be made of the proceeds of the loan. So far as second mortgage loans are concerned, the system is not so well defined. One large mortgage house in Memphis has loaned about $1,500,000 in second mortgage farm loans. The money largely represents capital of private individuals. The margin of security is about 10 per cent in addition to the 50 per cent margin covered by the first mortgage. The interest rate charged by this company is 10 per cent. In the Delta, however, second mortgage credit is more closely akin to short-time personal credit than to ordinary mortgage credit. Indeed, mortgage credit in general has been but slowly differentiated from personal credit, and one need go back only three decades to find the beginnings of the process..

How South's Credit System Originated

All forms of credit in the South have their roots in the *antebellum* system of factorage. The general outlines of the system are so familiar as to require no detailed description. The system continued to be the principal source of plantation credit until several decades after the close of the Civil War.

About the beginning of the eighth decade bank credits began to encroach seriously on the older system. At present the factor's loan as a source of operative credit exists only in those parts of the field which the banks by their nature are unable to occupy. Strangely enough, this sometimes applies to the large rather than to the small planters. A large planter may need from $50,000 to $100,000 a year. The average small country bank is unable to furnish the whole of this amount by reason of national and state restrictions. This creates a need which is supplied in part by the factor.

It is needless to say that this form of credit is very expensive. It is difficult to determine how expensive, for, while the terms of the factor's contract with the planter were formerly fairly uniform, bank competition has forced the factor to deal with each case on its merits. It is common, however, for the factor to charge a nominal interest rate in the form of a discount on the full line of credit granted to the planter at the beginning of the crop season, at the same time specifying that the amount shall be drawn in installments at certain fixed times during the season. This makes the rate higher than the nominal rate—probably amounting to from 15 to 17 per cent in many cases. Under the old system the planter's agreement with the factor compelled the planter to sell all of his cotton through the factor. Not only was this the case, but the planter must guarantee a certain number of bales—frequently one bale for each $10 advanced. If the crop fell short of the designated amount, the planter must pay the 2½ per cent broker's commission on the value of each bale of the shortage as well as on the crop actually sold. In addition to this, the perpetual indebtedness of the planter placed him in the power of the factor to such an extent that the latter was often enabled to perpetrate frauds that he would have been deterred from under a credit system based on free competition.

Some of the largest planters in the northern part of the Delta are enabled to deal directly with the large banks of Memphis and other neighboring cities. Such men enjoy the unusually low rate of six per cent. The majority of planters, however, obtain credit from the local banks at interest rates varying from seven to ten per cent according to the character of security. The latter includes all that the planter owns, his chattels, crops, and his equity in the land being given as collateral. Naturally, a planter who operates leased land is at a great disadvantage because not only is he unable to give land as collateral, but the landowner retains a prior lien on the crop.

Tenant Credit Accommodations Vital

The really vital credit problem in the plantation economy is the credit of the tenant. A great deal has been written on this subject, but very little which presents the matter in the proper light. I desire to be exonerated from any attempt at being sensational or at making an exposure. The subject has been treated from this point of view by certain writers, largely for popular consumption, with the result that incalculable harm has been done to the cause of negro progress in the South. I shall try, therefore, to describe the prevailing practice, giving you a picture of the typical rather than of extreme conditions.

It is a matter of common knowledge that in the plantation districts the average negro tenant starts the year with no accumulated purchasing power by which he can subsist during the crop season. Whatever accumulations he makes consist of goods, not of money—that is, more or less clothing, a little crude household furniture, some poultry, one or more pigs, and possibly a buggy and a cheap horse or pony. Some tenants also own one or two mules, and some farm implements, but these are renters or "third-and-fourth" hands rather than share-croppers. The latter are by far the most numerous class. Consequently, the planter must provide food, medical attendance, and other expenses until the cotton is gathered and sold. If the negro is a new tenant, the planter must advance the expenses for moving to his plantation. So far as food and ordinary expenses are concerned, the planter follows a regular rule—commonly 75 cents an acre per month. Since the plantation generally maintains its own store or commissary, the advances usually consist of orders, tickets, coupons, or plantation money, which is to be exchanged for goods at the store. There is this incidental advantage, among others, in the practice: the store orders are not good for railroad tickets, and the negro, without money, finds it difficult to follow his migratory instincts, and to leave the plantation, at least before the close of the crop year. If the plantation does not maintain a store or commissary, arrangements are made by the planter with a merchant to provide the tenant with the necessary goods. From these sources the tenant receives advances amounting to from $150 to $250 a year.

Sometimes a special credit price is charged for each unit of goods purchased. However, the practice is becoming more common for the store to sell at regular cash prices. The planter then adds a general percentage to the tenant's account. In either case the amount that the tenant pays for the credit he receives is almost never a matter of agreement. It rests usually with the planter to fix the terms. In some cases even a protest on the tenant's part may lead to violence, although it is my belief that resort to physical coercion is becoming increasingly uncommon in the Delta. This is one phase of the improvement that is gradually taking place in the negro's economic status. It must be understood, however, that the negro himself is not inclined to protest, for he has little knowledge of prices, little opportunity to compare local prices with prices elsewhere, and generally a profound indifference to the entire matter so long as he satisfies the want of the moment.

What the Negro Pays for Credit

There is the widest variation in the amount that the negro is compelled to pay for these credit advances. The only thing that can be said is that it is rarely less than 25 per cent on the cash price of the goods obtained. From 35 to 50 per cent is probably the ordinary range, and if the planter is greedy, the percentage may be higher.

The greatest source of loss to the tenant comes through the sale of his cotton. Almost invariably this is sold to the planter on his own terms. It is the common and frankly acknowledged practice to pay the tenant less than the local market price at the time of sale. So openly is the practice acknowledged that the planter sometimes tells his tenant that he expects to make a profit on the sale of his cotton. As a matter of fact, even if the negro sold to a street-buyer, he would be almost certain, in one way or another, largely on account of his ignorance, to lose a considerable part of the value of his crop. The planter, therefore, takes what the cotton buyer would otherwise get. The main point is that the matter absolutely rests with the planter himself. Within certain limits, the discount on the price of the tenant's crop depends entirely on the rapacity of the planter. This year it is probably safe to say that the discount rarely amounts to less than $10 per bale and may rise as high as $25 or $30 in some cases. This does not include the speculative profit that the planters have made on account of a rising market, after purchasing the tenant's cotton.

The above are practices which are carried on openly, with little attempt at evasion or concealment, at least so far as the community itself is concerned. There is also a practice of altering accounts in the planter's favor. This is a matter of common knowledge in the Delta, but it is obviously hard to prove in specific instances, and it is impossible to generalize safely as to the extent of the practice. I have a graduate student who was at one time a bookkeeper on plantations in the Delta. He described the practice as so general that it is commonplace. He told me of one case in which he himself, acting under orders from his employers, made a tenant pay for a wagon three times. It is only fair to say that there are many honorable planters in the Delta who would scorn to resort to subterfuge of this character, although they will not hesitate to reduce the tenant's income by the other methods described above.

If one regards the various payments the tenant is compelled to make as interest on the advances received, making allowance for the length of the period the credit runs, it is clear that the money probably never costs the tenant less than 100 per cent, and may range as high as 500 per cent. Nothing would be more unfair, however, than to regard these various exactions as interest on a sum of money advanced, and it is necessary to explain the matter at some length in order to place it in its true light.

What the Planters Must Risk

In the first place, the planter bears the entire risk of the enterprise, and an enormous risk it is, for cotton planting is a highly speculative undertaking. Theoretically, the share tenant bears his part of the risk. Actually he does not, for with the freedom of movement that the negro now enjoys in the Delta, in case of an unfortunate year, the negro is likely to leave the planter whenever his debt becomes onerous. There are certain parts of the South where this freedom of movement does not prevail, and where the negro would be compelled to remain and work out his debt. Taking the Delta as a whole, I am convinced that this is not the case in that section. Consequently the planter is likely to lose heavily from bad debts in a poor crop year. There were planters in 1914 who paid their negroes ten cents for cotton when the market price was six. This was not altruism. It was just an alternative to charging negro indebtedness to profit and loss.

Because of the industrial inefficiency of the plantation negro the planter is compelled to provide an expensive system of supervision. The owner of a plantation of nearly ten thousand acres told the writer that his expense of supervision averaged about $2 per acre. It is true that the planter benefits in his share of the crop from this supervision, but the tenant also benefits to some degree.

Rent Is Basis of Practices

The essential economic justification of the above practices rests on the basis of rent, not on the basis of interest. The custom of dividing the crop between landlord and tenant is so rigid that it would be difficult to change the custom. Yet the share represents a much smaller rent in proportion to the economic productiveness of the land in the rich alluvial districts of the Delta than in the poor sandy uplands, where a similar method of division prevails. Even with cotton at 12 cents a pound a negro tenant may be able to make as much as $600 as his share of the crop, and that without any expense. At present prices the negro's share may be as high as $1,000. Those with large families may make a still larger return. Planters in the Delta showed me accounts of individuals who had as much as $1,500 due them on their year's crop.

It is obvious that to let a tenant pocket the entire share of his crop in a good year, while bearing no part of the risk of loss in bad years would be to pay him for his bare labor far more than unskilled labor is able to earn in other employments or as agricultural wage laborers—for the cropper is in reality only a laborer paid by a contingent wage. As it is, his condition compares favorably with that of other unskilled laborers. He receives a house free of rent, a small garden, and free fuel. His food supply is assured, for it is advanced by the planter. He has no serious fear of unemployment except that which grows out of the seasonal periods of idleness on the plantation.

In short, it is clear that what the planter takes by an unregulated and arbitrary charge imposed as a credit price or by discounting the price of the tenant's crop is not interest, but largely a payment for risk, for wages of management, and for a margin of rent not covered by the planter's nominal share of the crop. It is well known that in the black prairies of Texas this extra margin of rent has taken the form of the bonus system.* With white tenants the form of a contract at least is preserved. In the negro plantation districts this margin of rent is taken by arbitrary methods. It is this arbitrary character of the transaction that makes it ruinous and dangerous in the extreme, not only to the tenant, but also to the landlord.

Plantation System and Industrial Efficiency

I hold no brief for the plantation system. It is not the type of rural social and economic life that I would chose as the ultimate ideal. There is a very general agreement among some of the foremost students of the plantation problem that the system is favorable to industrial efficiency wherever plantation organization and control are highly centralized. Under such conditions, as a system of farming, the plantation economy is usually far in advance of the economy of the average negro owner or the negro tenant who is substantially automonous in his farming operations. On the other hand, the plantation system is to be judged by its effect upon the progress of the negro. From this standpoint it is fairly clear that the negro is most backward in those regions where the plantation system has reached its highest development. In such regions the school facilities are poorest, the percentage of illiteracy is highest, the negro is most primitive and least capable of intelligently conducting his own affairs. In short, the plantation system tends to perpetuate the very conditions that in the first instance rendered it necessary. Far from training the negro in habits of thrift and economy, the system positively discourages the development of these qualities.

In essence, then, the plantation system represents a method of industrial supervision and control that was rendered necessary after the close of the Civil War by the fact that a large proportion of the negroes were densely ignorant; thoroughly incapable of the exercise of energetic, systematic initiative;

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* The Texas law of 1915 prohibited this bonus and restricts the legal charge on rented land to not more than one-third of the gra-in and one-fourth of the cotton.—EDITOR.

and almost entirely devoid of thrift. The system grew naturally out of the *ante-bellum* plantation system by the substitution of hired laborers and ultimately of tenants for slavery. The plantation is, therefore, a phase of industrial evolution in the South, deeply imbedded in the economic and social institutions of the section. It cannot be altered or abolished out of hand or suddenly replaced by some Utopian plan devised by idealists. For good or for evil the system is firmly rooted in the soil of the South. An attempt at the sudden abolition of the system—especially in the typical plantation districts—would result in an economic and social chaos resembling the state of anarchy which prevailed in the early years of Reconstruction. The remedy is more intolerable than the disease. It is evident that the system must be gradually modified by the elimination of its more objectionable characteristics.

The greater part of this paper has been taken up with a description of existing conditions in a typical and rather restricted portion of the plantation belt. I would not leave the subject without attempting to outline my own ideas with regard to the direction and scope of a constructive policy applicable to the gradual improvement in the condition of the negro tenant. For the sake of brevity I shall embody my views in a series of propositions as follows:

1. So far as rural credits are concerned, the vital need at present is for personal credit to free the tenant from the debt—slavery that bars the road of progress. Until this is done, he will not be in a position to take advantage of a system of mortgage credit.
2. The districts where the plantation system are characterized by the extreme centralization that prevails in the Delta offer the least chance for the successful introduction of a system of personal credit. This is true partly because of the backwardness and ignorance of the negro population in those districts, partly because the planters would very likely be so unfriendly to such an innovation that they could easily defeat its success. Moreover the plantation will be for a long time necessary as a means of economic and social control.

3. It follows from this that it would be difficult, if not impossible, to formulate any general plan of personal credit applicable to the country as a whole, which would fit the needs of the negro farmer or of the poor white farmer of the South. It is necessary to provide special facilities to meet the peculiar needs of this class of farmers.

4. Any experiments along the line of personal credit should be made where they have the greatest chances of success—that is, in selected communities of poor negro tenants who are substantially free from the control of the plantation system.

5. It is probable that the initial steps could better be taken by private philanthropy rather than by the government. In either case the initial steps should be regarded as experimental rather than hailed as a panacea that will revolutionize the tenant problem in the South. It will require a number of years to develop a body of experience that will make it possible to legislate successfully. In the meantime some agency must be found willing to risk a few thousand dollars in experimentation.

6. It must be recognized that no system of reform by coöperation or otherwise that depends on the primary initiative either of negroes or poor whites stands much chance of success. The fundamental conditions of ignorance, poverty, and prejudice necessitate a carefully formulated policy of paternalism, the initiative and directive energy coming from above.

7. Since the initiative and control of any system of personal credit must come from above, it is desirable that local control be vested in a paid functionary capable not only of regulating the business affairs of the local association, but also of instructing the farmers in methods of farm practice. For this purpose the county demonstration agent is probably well adapted.

8. I have made no attempt to formulate in detail a plan designed to this end. However, I may suggest what seem to me some desirable features. The present need

> of the negro or poor white tenant is goods rather than money, for usually money advanced will be used for whisky, gambling, or other useless objects. Therefore, it is probable that a combination of cooperative supply and coöperative credit would prove most useful. In the initial stages the purchases might be made at the local stores. The credit should be arranged for by the association backed by the guaranty of the coöperative bank. The latter could take the crop liens, chattel mortgages, or other security, which constitute the basis for the present credit of the tenant and re-discount the loan at a regular bank. Some form of joint liability should be required. A system of enforced saving should be provided similar in character to amortization of mortgage credit. That is, the tenant should be compelled to pay each year a small margin above the interest and principal of his loan, a margin which will gradually eliminate his dependence on borrowing as a source of livelihood. It is not necessary that the organization be so conservatively planned as to eliminate all elements of risk. It is better that the tenant pay a fairly high rate of interest, if necessary. Even if the system accomplish no more than to loosen the present forms of bondage, gradually develop habits of coöperation, and stimulate the beginnings of thrift, it will prove of vast benefit.

In conclusion, it must be recognized that the Southern tenant problem is fundamentally a problem of education, for it rests on ignorance and inertia. A system of coöperative credit must be designed as one part of a system of adequate education both for negroes and whites.

FUNDAMENTAL PRINCIPLES IN FARM CREDITS

ROBERT D. KENT *

Kipling in his jungle tales imparts to the animals of the forest a social principle of action which applies also to human society. He says the strength of the wolf is the pack and the strength of the pack is the wolf. Adapted to the conditions of human life the principle might be thus stated: The prosperity, safety, and happiness of men result from that of society in general and the strength and safety of society result from the fidelity and labor of individuals for its interest. If life is to produce the greatest good for the greatest number the law of service must be understood and practiced.

In designing a structure an architect has in mind as a fundamental condition the special purposes of the building and all of his subsequent work of detail is made to harmonize with and be subordinate to those purposes. As a primary step in the erection of the building a base line is fixed and all of the upright lines are made perpendicular to it. The result of this systematic procedure combined with wise judgment as to detail development will result in a satisfactory edifice and one properly adapted to its special use. In our legislative action, both national and state, our practice is to a great extent a different one. A law is passed to accomplish this purpose or that with but slight, or often no regard to fundamental principles. As a result laws are turned out each year by the thousands and many of them do more harm than good. They add confusion to our legal standards, interfere with and retard legitimate business, and encumber our courts with expensive litigation.

With this as a preamble I will now apply to the question of farm credits the principles referred to. Let us consider the facts shown by Professor Mead of the University of California in his statement of the need of an investigation of the condition of the land question in his state. He says that over

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1,000,000 acres of land susceptible of irrigation are uncultivated and awaiting settlement, and the cultivation of this land, he says, is needed to insure the continued growth and enduring prosperity of the cities of the state.

In addition to raising crops for food, clothing, shelter, etc., it is important that men be given employment and means to earn their livelihood. Stated differently, the problem is for society to furnish farms to willing and capable workers and these in return will furnish the products of the earth to the community. We thus get back to the thought with which we started. The strength of the wolf is the pack and the strength of the pack is the wolf. Now for a few basic principles which should be followed so that in working out the desired combination of farms and workers as much good as possible may be accomplished without at the same time doing considerable harm. Let us get our base line and see that those supposed to be perpendicular to it shall be at an angle of 90 degrees.

Let Aided Person Bear Burden

It is of prime importance that the individual who is to be assisted should bear the brunt of the burden. Any other course would be demoralizing to him and put on the other members of the community a burden which does not belong to them. If the one who is to be helped is relieved of his obligation to be thoughtful, industrious and thrifty his manliness will be undermined. If any burdens properly his become shifted to the community at large its members will have their own burdens to carry and also a share of his.

The state should make it as easy as possible for the borrower to obtain assistance by arranging systems of coöperation among the borrowers themselves and by seeing that their interest charges and expenses for obtaining loans are kept at a reasonable or low rate. It should not, however, become a partner of the borrower if this can be avoided. This brings us near to the doctrine of socialism and with your permission I will give my opinion of that and government ownership and regulation. Personally I believe that men should feel the responsibility for their own success. Self reliance induces industry, thoughtfulness and thrift and makes for the best development of the individual and for the welfare of the community. Men should have the reward that comes to them by putting forth their best efforts, and on the other hand be penalized for laziness and shiftlessness. I would sum up my thoughts regarding government ownership, regulation and supervision by saying we should have, of them, as little as possible, but as much as necessary.

Borrower Should Take The Risk

Now to get nearer the concrete. The individual borrower who will reap the special benefit of success should bear the burden and take the risk involved. If he has sufficient capital to invest, so that the organization that furnishes the balance needed is made secure, all is well. If, however, his capital falls short of doing this, as it often will, my contention is that the help needed in the way of additional capital and credit should come from those most nearly associated with him—his neighbors and friends who know him best and can watch and check up his progress. They, next to himself, will be the beneficiaries of his success, therefore, theirs should be the burden of giving him the needed help. If this is not possible the town or township in which he is located should furnish the help. If this is not feasible the next to rely upon should be the county, and lastly the state. If the system is national in its scope it should be so only for the purpose of federating the state organizations or departments somewhat as the federal reserve banks act towards the various banks in their several districts. In other words, place the responsibility first on the individual and then as may be necessary on the various individuals or organizations, beginning with those nearest to him which will be most directly interested in his success.

Local Coöperation an Ideal Assistance

The ideal form of assistance is based on local coöperation. In the proceedings of the Conference in 1915 will be found a paper which I read giving the general principles which should govern and some details of such a method. It was entitled, "A System of Coöperative Farm Credits." It followed the general plan of building and loan associations and also provided a method of federating the separate associations. To those interested in the subject I would recommend a study of the plan proposed. Just here I might reply to one criticism of the plan which seems to have some point to it. I suggested monthly payments by the borrower for the reduction of his indebtedness and the interest. It was objected that this might be largely impracticable for the reason that the farmers' returns in many cases were annual and that his payments would often have to be carried to the end of the crop year. This criticism is valid but the objection could be readily overcome by providing for deferred payments in such cases.

If governmental aid is found to be necessary it should be rendered so that in case of failure no severe loss shall result to the taxpayers.

Federal Aid Should be Well Administered

It is of public benefit that "the landless man shall be connected with the manless land" and therefore the government is justified in furnishing assistance, but it should be done in such a way that misfits should not occur if they can be avoided and that such underwritings, if made at all, should entail no severe or long charge on society. We should not attempt to make farmers out of those who are not qualified for such vocations. This would not benefit the individuals whom it is intended to help and would entail needless cost to the community.

A Plan for Aiding Home Makers

When substantial governmental aid is necessary and justified I would suggest a plan along the following lines: Let the township, county or state own the land and the stock on the farms, and enter into a contract with those who desire to occupy them. Under the contract supplies might be furnished for a few months if found necessary. The returns from the farms when received should be to a large extent applied towards reducing the debt incurred. The government should in cases of this kind appoint a supervisor over a certain number of the farms, say, 10 or 15, for the first year's occupancy. In the course of one or two years direction should not be needed to the same extent and the number of farmers under one supervisor might with propriety be increased. Put no more expense on each farm than may be necessary to procure good results in order that the money of the taxpayer may not be needlessly spent or jeopardized. Until the successful working of the farm returns enough to make a substantial reduction of the indebtedness the supervisors should have full power of direction. When a certain proportion of the indebtedness has been liquidated the title to the farm could be vested in the occupant and a mortgage be given for the balance due. If the experiment has justified itself this should always follow except in the cases of continued drought, or crop failure from other causes.

If it is found after a sufficient trial that the farmers cannot make good, the contract should be terminated by a board or committee properly constituted and having charge of the workings of the system in the locality. If proper examination were made of those who desired to be placed in farms before locating them, and their adaptability to the vocation is first determined, it is probable that a large proportion of them would succeed. By all means let the state help in locating willing workers in farms and go a great way in furnishing such aid as may be necessary if it cannot otherwise be provided. The men who thus become farmers should realize that they are doing more for human kind than those engaged in any other vocation. They are providing the necessities of life, without which nothing could be accomplished and life would cease.

RURAL COÖPERATIVE CREDIT

Alphonse Desjardins*

The months, nay, the years of horrors of almost a world-wide war that we have been living since August 1914—and God only knows when we may see the end of it—have taught us many a lesson of hard and of awful experience. But none perhaps has been more striking than the want of equilibrium thus shown in the ways and means of equipment between what one may call urban and rural industries. While the forces of factory activities have had at their command the all-powerful force of accumulated capital made available through the channel of our banking system, the rural or agricultural industry in almost all its varied manifestations has been neglected and left to the hazards of an unorganized whole without a systematic help, in the shape of organized capital to help it along, as if it did not deserve the care and deep concern granted almost lavishly to urban industries.

It can not be denied, however, that agriculture is the foundation of national prosperity and national economic greatness, and even independence. England, with her powerful navy, of which she was and is still so justly proud, is now experiencing anxious days about the feeding of her population. The submarine war is putting more and more her food supplies at the mercy of invisible vessels and increasing from week to week the already very high-priced commodities in the way of imported food stuffs. One is forced to recall the fight of the bull with the mosquitoes, the big navy being unable to cope with the worrying and destroying enterprises of the enemy's submarine, sinking vessels after vessels carrying supplies to the British people who have to pay higher prices to cover the risks the carrying trade upon which they have to depend for most of their daily meals.

No wonder if, under the stress of such circumstances, the attention of all thoughtful men has been directed more than ever upon the solution of so great a problem and to find a way to establish a just equilibrium between urban and rural industries, in order to give the latter the help of organized capital and credit, in the shape of available loans on reasonable conditions.

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* Knight of the Order of Saint Gregory the Great, founder of the Canadian People's Banks System; President and Manager of the "Levis Caisse Populaire," organized in 1900.

Coöperative Credit Banks Source of German-Austrian Strength

Who can doubt that one of the sources of the strength of the central powers, Germany and Austria, does lie in their 20,000 rural coöperative local credit banks, catering to the needs of their farmers during this terrible war!

But up to this time the question has been more particularly a fight between the poorer classes and the usurers who have taken advantages of the helpless condition of these classes to enrich themselves by extortions of all kinds.

I shall refer later on to what has been done by the national government of the United States with a view to organize a system of rural credit.

It is no matter of surprise, therefore, that the perplexing problem of adequately and safely supplying the financial needs of the laboring and farming classes is one that has long attracted the attention of thinkers and philanthropists. It was in this connection that the *Mont de piété* was originated in Italy several hundred years ago, traces of which are still to be found in many large cities of Europe. Although based upon a very commendable desire to help those who were in great need of money and credit, the methods evolved proved very often inadequate, depending almost entirely upon the charity or benevolence of those who took upon themselves the onerous duty of providing the necessary funds to carry on the operations of those institutions. In fact, the *Mont de piété* was almost purely a charitable establishment, appealing in no way to the energetic and invigorating sentiment of self-help through the redeeming practice of saving. As was to be expected, the defects of this system became more and more apparent as time went on, and with the gradual dwindling of the enthusiasm on which it was founded, the institution itself waned through want of the necessary funds. Hence, the unfortunate borrowers of the working classes had again to call upon the usurers and pay, as theretofore, extortionate rates for loans of every description. It was not until the middle of the nineteenth century that a practical method was discovered, and half a century of success has proved how sound and reliable this new system is when applied with common sense and with due regard to local requirements and circumstances.

Origin of Credit Systems

It is to Germany that we owe the fundamental idea of this most beneficent and practical innovation. Schulze-Delitsch and Raiffeisen, without concerted action, but animated by the same idea of helping the poor, devised systems, similar in principle, whereby the use of credit, so advantageous in the higher spheres of trade and industry, could safely be extended to the masses of the people—the small folk, farmers, laborers, and the like. The first experiments with the new system were made about the year 1850. It was, however, some years before its safety and feasibility were generally recognized, even in Germany, whence it gradually spread to other countries. But its subsequent development has been marvelous, and it has taken a firm root almost everywhere with equal success when the pioneers have been wise enough, as was the case with Signor Luigi Luzzatti in Italy, to take into due consideration the circumstances and the prejudices with which they had to deal, and to modify it in such a way as to suit the varying conditions of their respective communities.

Unlimited Liability Insisted Upon

At the start Schulze and Raiffeisen rested their coöperative banks upon the principle of unlimited and joint liability of the members, the former requiring the coöperators to provide the necessary funds by subscribing and paying large shares, with a view to impressing on the members the necessity of thrift if they would expect credit later on. Raiffeisen, on the other hand, would not admit the share feature, believing unlimited and joint liability sufficient to attract savings deposits ample enough to meet all the requirements of the borrowing members. But both Schulze and Raiffeisen insisted upon the exclusively local character of their banks, the sphere of their activity being restricted to a very small territorial area, say a ward in a large city, a parish, or a municipality in a rural district. And in this principle lies the very essence of the safety of the institution, as will be shown later on.

Improving the Liability Situation

The subsequent elimination of the unlimited-liability feature of these banks in many countries, so far from justifying the fear entertained by the great founders of the system, has removed obstacles that would, in numerous instances, have inevitably deprived the population of the immense benefits that they have enjoyed by adopting it in a more suitable form. The illustrious father of the Italian *Banche Popalare* was the first to depart from the principle of unlimited liability, contending that in his country it was not viewed with favor by the masses, and, moreover, that it was not required for securing the necessary funds; experience, has shown that these funds have been abundant at all times. He therefore recommended a milder form of liability based on the amount of the shares subscribed; and the admirable success of his banks is evidence that he was right. The same principle is now being adopted even in Germany and many other countries that have closely followed the German example. Taking a still broader view of this question, and considering the decided hostility of our people to anything like wide and, therefore, more or less unknown liability, I adopted in Canada an entirely new régime similar to the prevailing system of the savings banks of the New England states, where there is no capital stock, the depositors alone providing the funds and enjoying to the fullest extent the right to withdraw their money almost at will, a mere notice being required if the necessity of so doing arises.

Our working capital is composed of shares and deposits, the difference between them being more of a moral character than a practical one, so far as the member is concerned; for his liability is the same in either case, his shares and his deposits being alike withdrawable just as are the deposits in an ordinary banking depository.

Distinction Between Shares and Deposits

The distinction between a share and a deposit is that the former is made up of savings with a view of meeting future contingencies more or less remote, a kind of time deposit, while the latter is money put aside for almost daily use, like the bulk of the funds put in banks and withdrawable by check.

This régime of a withdrawable capital was sanctioned by law in France as long ago as 1867, with the passing of the legislation authorizing the organization of societies with a variable membership and capital, the capital being liable to variation by the admission of new members, or by the subscription of new shares on the part of the old members.

As will be readily seen, the main idea of this system is exactly the same as is to be found in the uncapitalized savings banks of the United States, but with this most commendable feature, that the funds thus accumulated are utilized to meet the needs of the very classes from which the customers of these banks are drawn; in other words, the savings of the working classes are put at the disposal of such working people as happen to be in need of money for provident and useful purposes, not for extravagance or ill use, thus preventing their having to appeal to the professional money lenders or usurers at an enormous if not ruinous expense. One can hardly realize how beneficent such a system can be if properly worked upon practical and safe principles. Experience of more than half a century elsewhere, mainly in Europe, and of 16 full years in Canada, proves conclusively that institutions of savings and credit, in the modified form above indicated, are easily and safely practicable among the humbler classes.

Now, it is obvious that such a credit system must be worked upon different methods and with safeguards distinct from those to be found in the higher banking sphere. The requirements do not very materially differ in their intrinsic nature, although larger in the latter case than in the former; but the ways and means being different, so the methods must differ.

In the banking system the capital is fixed; in the coöperative credit régime it is withdrawable, and therefore variable. Hence due regard must be had to this particular feature of divergence. The banks use to a very large extent borrowed capital in the shape of deposits from the general public; so do the people's coöperative banks, but in their case this capital is provided by the members either in the form of withdrawable shares or of mere deposits.

The banks do business with the general public, either borrowing on the confidence they enjoy or loaning to whosoever offers what is considered a good banking security. The Coöperative people's banks are associations dealing only with their members. The bank being an aggregation of capital, the character of the shareholders is not scrutinized in any way, the coöperative people's banks being an association of persons; qualities and good habits are predominant, not the funds they can bring to the society. The banks in doing business with the general public may loan money to parties thousands of miles away; the coöperative people's banks on account of their special character do not loan funds outside their immediate vicinity—in other words, beyond the very locality where they are worked—refusing even members who have gone abroad, unless a resident member holds himself responsible for the faithful repayment of the loan and is considered perfectly reliable in every way. The banks being a concentration of capital, the capital alone is paramount, and the system of one vote one share prevails as well as the vote by proxy; the coöperative people's banks being associations of persons or individuals, the person is paramount. Hence the principle of only one vote, without regard to the number of shares held, and there is no vote by proxy, except for corporate or public bodies. The banks being organized by capitalists, or those that have money to spare, which they can dispense with for a long time, the amount of the share is generally a larger one than a workingman or a poor man can afford.

The coöperative people's banks being intended for people who have no money, except what they can save by very small sums, putting a few cents aside weekly, the shares must be of a few dollars only, payable by small installments. Some of the most powerful coöperative banks in Europe have started with $4 shares, payable two cents a month. This and the withdrawable feature of these credit unions are necessitated by the circumstances of the desired members and are adopted in order to induce the largest possible number of the honest working classes to join the societies and reap the benefit they offer.

Control of Coöperative People's Banks

With these differences in view it is easy to realize how appropriate are the principles laid down for the management of these coöperative people's banks.

Three boards are chosen by the annual general meeting called, respectively, the board of administration, the commission on credit, and the board of supervision.

The members of each of these boards must be distinct; that is, one member can not be on two boards, exception being made for the president of the society, who may be ex-officio a member of the commission on credit, in order that he may be in a position to acquaint the board of administration with all that is done in this important body, the motives and reasons upon which its decisions are based, and the propriety of measures having for their object the increasing of the funds of the society.

The president being, or supposed to be, the best man on this general board, and this board being selected out of the best men in the society, his moral authority is large, and so is his responsibility. It is therefore but fair that his guiding influence should be strengthened by corresponding opportunities for supervision and advice. He is, as just stated, the only exception to the rule that one person can not be member of more than one board or commission, the object of this rule being to avoid any dividing or shifting of responsibility.

Without going into every detail, let us next consider the various duties to be discharged by these boards.

The board of administration has general powers of supervision and control over the affairs of the society. It controls the admission and expulsion of members, sees to the transfer of shares, if any, makes all necessary recommendations to the general meeting in connection with the dividing of the profits of the year, the disposal of which is not already provided for in the constitution, approves or suggests any desirable amendments to the bylaws, submits to the general meeting any increase in the number of shares that may be held by, or the amount loanable to, one member, appoints the manager and other officials required, and exercises all the necessary administrative powers not specially assigned to the two other boards.

The commission on credit deals only with the loans submitted to it through the manager. It makes bylaws determining the conditions upon which the loans are to be made, the security exacted, apart from the moral qualities which are paramount, the rate of interest to be charged, and the proper repayment of such loans. The fixing of the rate of interest upon loans must be made with due regard to the prevailing rates in the locality for similar loans and at lowest rate consistent with safety, having in view the proper interest on the capital in order always to offer a legitimate inducement to members to increase their holdings and thereby keep abundant resources for the borrowing portion of the membership. No loan can be made unless the members present are unanimous. In case of refusal for want of unanimity, the would-be borrower can appeal to the board of administration, and the decision of this body is final. The members of the commission on credit can not borrow either directly or indirectly.

How Loans Are Made

As the granting of loans must be considered to be the most important duty of the commission on credit and therefore deserving the closest attention, it must be stated here that the borrower is always requested to declare distinctly the object for which he asks the loan and how he intends to repay it. If the object is an improvident one in the opinion of the commission, it must not be granted for any consideration or under any circumstances, be the security of the highest character. No person is allowed to borrow if it is not to effect an economy or for a productive purpose. This golden rule, this essential principle, has always been enforced and has worked wonders as a measure of safety. The character and habits of the borrower, as well as of his family, have of course to be inquired carefully into in order to assure not only his willingness but also his ability to reimburse the loan. The moral security is paramount, and refusal must follow if this security is not forthcoming, however reliable may be the other guarantees offered, because the contrary will inevitably bring trouble and discredit upon the society. Thus honesty, industrious habits, good conduct, and thrift become valid and negotiable assets for the poor man.

Repayment of Loans

The loan must be repaid regularly and faithfully. The conditions in most cases are those offered by the borrower himself, if considered reasonable and fair, but once accepted he must be held strictly to them, unless there is a case of *force majeure,* like sickness or unemployment. Punctuality is a virtue that must be taught. Its practice will confer such great advantages that the borrower himself will soon appreciate them.

The interest is usually made payable every three months, but all installments paid in are deducted from the loan, the interest being computed upon the balance only, and so on until the whole sum is repaid.

The board of administration is renewable half or one third every year. The commission on credit and the board of supervision are elected every year, and are composed, say, the former of four and the latter of three members. But of course the number will vary according to circumstances.

The powers of the board of supervision are of the widest character, including the ordinary duties of auditors. In fact, its functions may be best described as those of a general meeting sitting *en permanence* alongside the officers chosen to administer the affairs of the society. This board may, and in some stated cases must, call at any time a general meeting and submit to it, as representing the whole society, an account of the acts of the commission on credit.

Officers and members of the boards give their services gratuitously. None can receive one cent either as remuneration or indemnity. The manager and clerks, if any, alone are paid.

The boards meet as often as the affairs of the society require. The manager, whose duties are very important and whose services are most valuable to insure the success of the association, should be selected, with care and wisdom, from among the members, of the board of administration or must become a member before being appointed.

In a democratic organization like the one here described, it is hardly necessary to add that the general meeting is supreme, and intervenes as often as required. It must further be remarked that it fixes from time to time the maximum amount of shares that a member can hold, the maximum amount that can be loaned at one time to a member, the annual dividend to be paid on shares, and the percentage of the net profits to be appropriated annually for the guarantee fund, or other funds, if any.

Apart from good management, certain principles must be strictly adhered to if the success of such an association is to be assured. Of these the most important is that the bank, to be truly coöperative—that is—in order to arouse the interest of every one of its members and to induce them to extend to it the benefit of their own personal experience—must restrict its activity to a very small area, or if formed in a trade union or some similar organization, then it should not go beyond the membership of such a society to enlist members. The object being to associate together people that have a mutual knowledge of their moral worth, this could not be easily attained if the credit union were to accept members over a large area of territory or from the population of a large city.

Coöperative Banks in Large Cities

True, there are instances in Europe where such coöperative banks have been very successful in large cities, the *Banche Popolare di Milano,* called the jewel of coöperative credit of Italy, being the most striking example. Without denying the force of such cases, I believe that, as a matter of principle and safety, it is better to restrict the field and make it as narrow as possible, consistent with the requirements of the existing circumstances. Above all, in America, where the population is more fluid, so to speak, not having to the same degree that character of permanency which is to be found in European cities, this principle offers a safeguard that can not be dispensed with without grave danger. It must be borne in mind that the object is not to create huge concerns with large funds at their disposal, but small societies for the benefit of the masses, where needs can be attended to with a comparatively small amount of loanable capital. Moreover, the union, moving in such a small sphere of activity, is less liable to be deceived by borrowers as to their good character, the honest utilization of the funds, their standing, and their means to repay the loan as agreed, all of which must be ascertained before the money is handed over.

Borrowers have also to state distinctly for what object they want loans, and after the proper officers have satisfied themselves that such object is a good one—that the parties will in all probability benefit by it—that their experience, their good judgment, industry, and energy will successfully utilize the funds put at their disposal—these officers, by the fact that the transactions are only local, are in a much better position to follow up the borrowers and ascertain that the money is faithfully invested in the way stated. Thus this rule tends to the safety of the union and protects it against losses—a view which is confirmed by practical every day experience.

When a member is admitted, the board of administration has to be satisfied that he is honest, upright, and industrious; furthermore, a new inquiry is made when the same individual applies for a loan. The commission on credit has to look carefully into his character and be certain that the would-be borrower possesses the required qualities; for these moral assets are the very groundwork of his credit. A man may not be wealthy, but nothing prevents him from being honest, thrifty, and industrious. and with such qualities he will in most, if not all, cases be able to repay the amount borrowed. This, again, can much more easily be ascertained if the coöperative bank has but a narrow field of activity. However, all this does not preclude the association from taking additional measures of security in the way of indorsers or other substantial guaranty, which, indeed, is generally done until the borrower has established a first-class reputation for himself by his punctuality in meeting his installments or payments when due.

Passing Upon the Loan

Moreover, the amount that can be loaned at any time to one member is always passed upon by the general annual meeting, having, of course, due regard to the funds available and the necessity of providing useful employment for all the money at the disposal of the society. Thus the danger or possibility of loaning too large an amount to one individual is surely avoided.

Loans may be made for a long time, even for 10 or 15 years, provided the installment plan is adopted, once the guaranty fund has reached a certain proportion of the general assets. Furthermore, it is a very strict and rigidly enforced rule that the smaller the loans the greater is the preference they enjoy; in other words, the small borrower has always the preference over the larger one, this being considered as consistent with the spirit and object of the society.

The stability of such a credit union is increased and insured by the rapid formation of a guaranty fund, to be eventually equal to, if not more than, the maximum amount of paid-up shares and deposits at any one time. This fund is early accumulated by means of annual contributions from the net profits. These contributions should be relatively large to begin with, say, 20 per cent, or one-fifth of the net earnings. When, as will soon be the case, the fund shall have reached an amount affording a fairly substantial security, the percentage can be lowered safely, not less than five per cent, however, until the said fund is completed as provided for.

The shares being withdrawable in order better to meet the requirements of the poor, for whose benefit these unions or coöperative banks are designed, the guaranty fund above described was devised so as to offset any tendency to instability entailed by that feature. In the New England savings bank system the law fixes a very small percentage of the annual net earnings as a contribution to such a fund, the total amount of which is only from 5 to 15 per cent of the deposits held. This fund is to meet possible losses in the investments of the banks.

In our coöperative people's banks the same fund has an additional object, being regarded as the real nonwithdrawable capital of the society, and this explains why it is allowed to accumulate until it reaches an amount equal to the total of the paid-up shares and deposits at any one time.

Thus, by perseverance and stringent provision for the stability of the institution, the laboring and farming classes are enabled to create a treasury owned and controlled by themselves, to which they and their descendants may look for credit; indeed, doing along this line what is done in other spheres of activity, as for instance, in the municipal life, where future generations will enjoy the benefit of all the improvements made by their predecessors.

The guaranty fund has also the advantage of increasing the confidence and the interest felt by the members, on which depend the vitality and the very existence of their association.

Encouragement of Thrift

One striking feature of these coöperative credit unions is that they are excellent local savings banks, stimulating thrift, bringing out hoarded money, and thus conferring on the general community the benefits resulting from capital properly invested. However small a village may be, it can organize such a union, which will offer to its people all the benefits of the ordinary bank—except, of course, the peculiar advantages derived from its larger sphere of action—and will extend the practice of thrift to almost every home in the immediate locality.

To sum up, the coöperative bank that I have endeavored thus to describe borrows from and lends to its members. It borrows from them by receiving their savings either in the shape of shares or mere deposits, for thrift must precede credit. This is a fundamental principle which it would be dangerous to depart from, even if it could be done.

Advantages of Coöperative Banks

The advantages of such coöperative banks are very numerous and far-reaching, among which the following are, perhaps, the most striking:

Their close proximity to the saver and borrower.

Their adaptability to local wants of all kinds, and their ability, through the enjoyment of local confidence, to attract the available resources of the community.

Their familiarity with their clients, who are the members, and their influence over them arising from their all being members of the same labor union or residents of the same village, town, or city ward.

Their special mechanism allowing them to make the smallest loans and to undertake transactions of the pettiest kinds, in compliance with local needs, preference, indeed, being deliberately given to the humbler demands.

Their ability to assist in a general or particular liquidation of debts, especially in the case of farmers whose property is heavily mortgaged and where the repayment is made burdensome by provisions of an onerous character.

Their ability to work cheaply, almost gratuitously, being thus in a position to supply cheap credit to their members.

Their accumulation of local savings and the profits thereupon, until they form a capital for the benefit of the members and borrowers.

Their ability to act as agents for their members in certain circumstances and outside their restricted field of activity, more especially for the benefit of farmers, whose needs of this kind are greater than those of the workingmen.

Their power of influencing borrowers toward a beneficent use of credit and of supervising the utilization of loans in accordance with contract.

Their tendency to group themselves into federations for mutual help, development, inspection, instruction, and audit.

Their steady and continuous educative influence in matters of thrift, association, and self-help, by their constant presence, their daily object lessons, by their frequent, though easy, calls upon the activity, thought, and services of their members.

Their tendency to develop high forms of individual capacity, of public life, and of national character, and, last and most desirable, their powerful influence in calling forth habits of thrift, economy, and prudence, guiding expenditure into productive channels, granting credit for productive and useful purposes only, and in promoting union and associated action among units which, but for them, would be isolated and ineffective.

Coöperative Banks Gain People's Confidence

Being administered by responsible officers of the local population's own choice, these local banks, of which everyone can be a member, soon and rightly gain the confidence of everyone. Unlike the ordinary savings banks, they have not a mere slot in their wall through which to receive money, but a mouth wherewith to give advice, a heart wherewith to feel, and a credit organization designed and specially fitted to help by loans the very people who provide the funds. In their keeping the depositor or member—for both are one and the same individual—may, so to speak, see his money, see it safely held, see it laid out profitably in the locality, benefiting the district and producing more money, whereas elsewhere it disappears into the large monetary market, absorbed in huge financial schemes sometimes worked out for the squeezing or the economic detriment of the consumers, while the poor men, the very clients who have contributed to the accumulation of this wealth, are, as a class, the victims of extortionate money lenders. Organized by and entirely under the direct control of the farmers and laborers who are almost the entire clientèle of these money lenders, the coöperative banks offer the best means of putting an end to the frightful cancer of usury that is causing so much suffering in this very part of the body politic. It is an undeniable fact that no law, no matter how stringent or how rigidly enforced, can stamp out or even lessen usury in an appreciable degree. Centuries of experience have demonstrated this truth. Usury exists because there are pople who want money, and are ready to borrow it at any price where there is no organized machinery offering it at a reasonable rate. Let these people have their wants provided for in a human and business-like way, and usury will soon disappear as surely as snow melts away in the spring.

Why There May Be Opposition To Coöperative Banks

The proposal to introduce such an institution into a country often gives rise to objections, which, however, are, as a rule, based upon ignorance or a wrong conception of the real nature of these coöperative credit unions. It is, for example, often alleged that existing banks would suffer from the competition of the newcomer. But is this objection founded upon facts and has actual experience proved it to be correct?

In the first place, this new organization in no way invades the field of activity of the banks; it strikes another soil; a stratum unknown to these financial bodies. Organized to meet the needs of the highest sphere of trade industry, and for the benefit of larger enterprises, the ordinary banks have neither the equipment nor the opportunity to cater to the wants of the classes for which the coöperative banks are exclusively intended. This explains why the money lenders' business is so widespread and usury so prevalent and profitable where such an institution does not exist. People in need of money must go to the usurers for want of a better medium. Experience has shown in Europe that the banks, even the largest, have not been slow in recognizing this fact and have, therefore, ceased to oppose the coöperative banks, nay, have even very materially aided them.

Experience, too, soon demonstrated another potent fact, namely that these very modest financial institutions act as excellent feeders to the higher banks, by stimulating and teaching thrift in a sphere inaccessible to the latter or to any other similarly organized institutions, and by depositing the surplus funds that the coöperative banks must keep constantly available and do not utilize in their every-day transactions. I could mention here many of the largest financial institutions of the world that go out of their way to assist in the organization of such parish or coöperative banks, or, when so organized, aid them by special or preferential treatment in order to insure their success and prosperity.

Another objection is that the farming and laboring classes would be unable to work out such a scheme. But why should the farmers, laborers, artisans, and mechanics of America be less intelligent, less able to learn by practice how to manage these unions? Or are they less honest than their brethren of the various European countries, or even East India? Surely not.

Objection might also be based on the shifting character of the population, but that difficulty can be overcome by special precautions and proper safeguards. I feel confident that the genius of our American nations can easily find and apply an adequate remedy to this particular state of things, for, after all, this difficulty had to be faced to a certain extent by the ordinary banks, and they seem to have succeeded very well. Other means might be devised for the protection of credit unions and be as successful in their way as those chosen by the existing banking institutions.

Coöperative Banks and Savings Banks

It may also be argued that these coöperative banks would compete with the savings banks already in the field and tend to divert their funds into their own treasuries. This is hardly probable. But even if it should so happen, is that a good reason for putting aside a more perfect organization in order to avoid damaging an inferior one; for enriching the usurers by depriving the masses of the people of a means to obtain loans at a fair rate of interest? Surely the savings institutions were established to benefit the people, not to enslave them; in other words, the savings banks were instituted for the public, not the public for the savings banks. But such a fear is absolutely unfounded and need not be considered, for is it not a well-established fact that the more numerous the depositories for savings, the larger the inflow of funds? And why? Because each one of these depositories attracts its own customers, offers special inducements that tend to increase the number of its clients, and, in the end, by the accumulation of small sums, creates an ever growing capital. The savings banks themselves have not competed in a damaging way with the banks previously established, but have, on the contrary, been helpful in teaching thrift, foresight, and providence, and thereby increasing the public wealth. And the same result may condently be expected from this new system, while its benefits will be larger, as it covers a larger area than the existing institutions. In fine, it is almost a truism to say that the more numerous and varied a country's savings institutions are, the higher is its development and civilization, for uncivilized nations have none.

The numerous building and loan societies of Massachusetts, together with its large and prosperous so-called "coöperative banks," are doing much good in their way, but they restrict their activity to one particular class of transactions, namely, the purchasing of a home by the laborer. Why not, as the progressive state of Massachusetts has done, provide for all the various wants of the farmer as well as of the workingmen? Such wants cannot be denied in face of the large business done by private money lenders and usurers generally, in spite of stringent laws. Why not adopt an organization that will put at the disposal of the people part of their own savings instead of utilizing them only or mainly for the advantage of large undertakings, while the wealth producers are entirely left to the tender mercy of the sharks?

Farmers and Workmen Unprotected in Financial Circles

Anyone who studies the existing financial fabric on this continent, seeing, as he cannot fail to do, the almost helpless situation in which the farmers and workingmen are practically left so far as banking credit is concerned, will inevitably come to the conclusion that there is a missing link of a very great importance, and that missing link is the coöperative bank above described.

Such an organization would complete the financial mechanism by meeting in a systematic way, the wants of the masses of the population, who find themselves today with no organized means for satisfying their economic needs, if we except the item of home building. It would inculcate and stimulate the habit of making small savings; it would educate—teach how capital can be formed gradually by mere cents, how it must be managed, safeguarded, multiplied by useful and provident employment; it would kill usury; it would be an excellent feeder to the ordinary banks, as shown by the practical experience of half a century; it would democratize finance, organize credit, and transform the moral qualities into valuable assets; it would instill habits of foresight, of providence, and of punctuality in promptly paying a debt when due: it would teach honesty, and bring to the man of industrious habits a higher reward than mere wages—the confidence of his fellow citizens; it would promote the spirit of local enterprise, and facilitate improvements of all kinds; finally, it would obviate the disasters attending panics, since everyone would participate in the management of affairs, through officers representing the free choice of himself and his fellow members.

Here again experience has shown that such a coöperative union has never been upset by a run; quite the contrary, because such an institution is not practically owned by one or a few individuals possessing the largest number of shares, and thereby having the entire control by the multiplicity of votes based upon shares, but is open to all upon the basis of a perfect equality.

A conclusive experiment has been made on this continent, and the results obtained warrant the belief that such coöperative people's banks would be amply successful anywhere, provided there be a faithful adherence to the principles laid down.

Pioneer Coöperative Credit on American Continent

Levis is a small town of 7,000 inhabitants, situated on the shores of the St. Lawrence, opposite the old city of Quebec. Its population is mostly French Canadians and of the laboring classes. It was here that *La Caisse Populaire de Levis* was organized on the 6th of December, 1900. It did not, however, commence business until the 23rd of January, 1901. Besides the town proper, the enterprise included two neighboring parishes inhabited by farmers, which had been separated from the present town some years before without, however, interrupting the daily intercourse between these farmers and urban groups, so that everybody knew everybody else, as if all were still one unit. The object in including these outside parishes was to extend the experiment to a farming community in order to see how the institution would work among both classes.

Started with not a cent in its cash box, the general assets of *La Caisse Populaire de Levis* were at the close almost of its sixteenth financial year, the 31st of October last, $526,111.29. The total amount of loans had reached $2,183,111.26, distributed in 9,820 loans.

The 1,250 members of this coöperative bank—the first of its kind on the continent of America—are proud to say that as yet not one cent has been lost through bad loans or mismanagement. The workingmen and farmers have chosen the managing bodies, have alone provided the funds and it was to them that the money was loaned, their honor being in most cases the main security. The total turnover in these 15 years and 11 months has reached the sum of $3,519,123.84, with gross profits amounting to $107,719.05, and a total of working expenses of $8,832. All that in spite of the competition, sometimes very keen, of four branches of joint stock banks in Levis doing, apparently, very good business.

The success of the Levis experiment has spread the idea throughout all French Canada and in less than five years 154 other similar coöperative parish banks in as many different localities have been organized by me at the request of the local population desirous of benefiting by the advantages offered. Over 135 of these Canadian credit unions or *Caisses Populaires* are working in exculsively rural parishes, and are doing most useful work both as savings and loan associations. Several of them have already reached a general turnover of well over $400,000 after only a few years of existence, not more than six years, and several less than six years. And following up the example of Levis, none has yet lost one cent; a most striking fact indeed.

This movement has spread over the frontier and several states of your great republic have passed legislation authorizing the organization of such credit unions. Among others one is proud to name the states of New York, Massachusetts, Wisconsin, North Carolina, etc.

There is such a coöperative bank in Manchester, New Hampshire, among the French Canadian population working mostly in the cotton mills of that city. The general prospects are hopeful and promise abundant as well as most beneficial returns for the masses of the rural and working classes.

Federal Farm Loan Act Defective

A word now with reference to the recent federal legislation on farm and rural credit. The present Congress has moved in this matter by adopting a law having for its object the organization of a system of rural credit along somewhat new lines. It does not belong to my province to deal with the probable success or want of success in the future of this piece of legislation, but I may be allowed to express doubts as to its adaptability to the needs and circumstances and, above all, to the lack of coöperative spirit and formation of the rural population. This education is and must be the result of untiring efforts and persistent practice, and must not be expected to be sown by a mere law. It has been the experience of Europe and so far, I may say that we have had to fight the same obstacle in Canada, people being accustomed to consider that new systems of credit in the same light as the banking credit, a very fatal error to start with.

Of course, I sincerely believe that experience in the United States will show the defects of the newly created system and that the legislators will readily seek to remedy them as soon as discovered. I do believe most strenuously in the great principle of *self-help,* not having any faith in any state-aided system, believing, as I do, that the latter is more demoralizing than educative for the masses.

LAND SETTLEMENT AND IMMIGRATION.

LAND SETTLEMENT A PUBLIC QUESTION

ELWOOD MEAD *

At no previous time in the history of this country have methods and policies of land settlement had the attention they are receiving today. The increasing price of farm land, the growing evil of farm tenancy, the stagnation in land settlement in the area now thinly peopled have all contributed to give new interest and importance to questions of land tenure and rural development.

There is a growing belief that our national progress requires action which will broaden the opportunities of men of small capital to acquire farms and to do this without being subjected to an economic pressure which would prevent the education of children or deny to farmers the same comforts of life now enjoyed by artisans in other great industries. To achieve this result land must be dealt with as something more than a form of property. It must be regarded as an instrument to be used in the manner calculated to give certain social and economic results. This may interfere with absolute ownership and cause the state to interfere with an ownership which holds land out of use, or which uses it in such a way as to prevent proper development of community life. The single tax idea is an illustration; most of its supporters do not favor it as a form of taxation, but as an instrument for creating opportunities similar to those which men had when a large part of the land belonged to the public.

Agrarian Movement World-Wide

Since the beginning of this century there has been an agrarian movement which included some 30 of the foremost nations

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of the world.

Under this movement the government buys, subdivides and sells land on conditions which enable poor men to earn out of the soil the money needed to pay for it. These the government further assist by carrying out under proper recognized direction, the improvements necessary to make these farms habitable and productive.

In this way men who would otherwise be compelled to live lives of economic misery have been helped up into a broader and more generous life based on landed independence.

In these countries the state is aiding settlers because of a belief that the best results in agriculture and the most contented and patriotic people are found where farmers own their own homes and the land they cultivate; that, on the other hand, non-resident ownership and tenant farming are politically dangerous and socially undesirable; that the cultivation of great estates by ignorant farm labor is also bad. In order, therefore, to promote national efficiency, maintain the balance between city and country life those countries have made state aid and direction in land settlement a public policy.

Thus far American governments, state or federal, have not recognized the need for such action and as a result the subdivision of land, the character of the settlers sought, the price charged for land and the conditions of purchase have, on privately owned land, been left to unregulated private enterprise. On public land there has been no scrutiny of settlers or careful inquiry into their capital, experience and purposes to make certain that they would be capable farmers or that they were properly prepared to cope with the obstacles ahead of them. In too many instances the selfish desires of land owners or colonization agents have had more weight than the vital needs of the eager land seekers. Too often the settler has not been looked upon as a human being, but as a check book. His place in the scheme of things was to foot the bills; he was to pay for land, for irrigation works and the profits of promotion. How he was to do this was his own affair.

During the past 15 years much of this movement to promote settlement has been speculative, some of it dishonest.

Florida swamps and western deserts have absorbed altogether too much of the savings of wage earners to whom the distant hills were greenest.

The Innumerable Procession of "Home Suckers"

Attracted by lurid advertising, many have bought without investigation. A long procession has sought Eldorados in the West and South. Few were rich, but the majority of families had from $1,000 to $5,000, which was more than they could afford to lose because it had been earned by long years of saving. A year or two later a considerable number of these same land seekers drifted back where they started from with no money at all. They had gone to new sections with little knowledge of local conditions; with only a hazy idea of the cost of irrigating western land or draining southern swamps and often with small knowledge of farming. Those who have visited the homes of these settlers, and have seen their privations and futile endeavors feel that there is something wrong with our settlement methods and policies, but few have realized how far they are wrong or what is the particular fault.

Closer Settlement of Irrigable Public Land

That obscurity, so far as the West is concerned, no longer exists. We now see plainly that to clear, level, and prepare land for irrigation; to build houses, fences and do all the things needed to convert arid land into a farm capable of producing a living income, costs more per acre than it does to buy improved farms in the Atlantic states. We now realize that nothing could be more wasteful of time and money than to leave each settler to work alone without aid or direction in making these improvements; that organization and skilled management are as necessary in leveling land, building houses and barns as in constructing canals and reservoirs. It is also plain that to let inexperienced, over-sanguine men invest all their capital in an undertaking known to those in charge to be extra hazardous is not only unkind but morally indefensible. That, however, is what has taken place and it has been tolerated and sustained by the civic pride of localities which longed for growth no matter what it cost outsiders. It is to the interest of those who own land and those who desire to own it that a different spirit should shape future land colonization.

Because the West more than any other section has much to gain from efficient and economical land settlement, this section has in the last two years given serious attention to its problems. Three commissions have studied conditions in western colonies. All have reported that there is need for public aid and control both in the preparation of farms and in the selection of settlers. Some of the reasons for these conclusions are given in one report describing conditions which confront settlers on irrigable public land.

> "Aside from the main irrigation canals and the unformed dirt roads they will find that everything required to transform a desert into productive farms remains to be done. The land must be cleared of brush, the farm must be fenced, a house for the family and a stable for the work animals must be built, and provisions made for a water supply for household use. Not being familiar with local conditions, they will not be able to buy to advantage, and they will be under pressure to buy quickly. Many will be victimized with poor horses and bad cows. The credit extended by local stores is paid for in excessive prices. In one colony settlers were paying $27 a thousand feet for lumber that was being bought in quantities by cash customers for $11 a thousand feet.
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> "If settlement should be rapid, they would be unable to procure cows or horses locally. Many of the animals now on the project have been shipped nearly 1,000 miles. This adds greatly to the cost of equipment. Cows bought for $65 cost the settlers over $100 each.
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> "Until a house is built the settler's family has either to live in a tent or board in town. Illness often results; heavy living expenses, delay in beginning productive employment contribute to make settlers' families homesick and discouraged. Often the prepara-

tory work prevents planting a crop the first season, and the settler finds his meager capital swallowed up in living expenses before he can obtain any return from the land. Before he can grow a crop his land must be leveled for irrigation. To do this well requires knack and experience. Lacking these, money and time may be wasted and the final results be so unsatisfactory that the work will have to be done over again. Few settlers can afford to buy the special equipment for leveling land cheaply, especially on small farm units.

"In exceptional cases the cost of leveling land has reached $100 an acre. It will average $25 an acre. To leave this costly preparatory work to be done by the settler who lacks experience, teams, implements and practical skill involves a ruinous waste of money and time. Nothing could be more inefficient. Careful consideration should, in addition, be given to making land ready for the application of water as an essential part of reclamation.

"The use of proper equipment, directed by practical knowledge and skill, in preparing the land would be as advantageous as it is to have irrigation works built by skilled engineers, and the acreage cost is nearly as great.

"The average area of farm units will be somewhere between 40 and 80 acres. If we assume on all reclamation projects an average of 60 acres, it will require over 10,000 houses to shelter the settlers on all vacant land. If each settler is left to buy his building material at retail, make his own design for the house and hire the carpenters as they can be secured, the following results will be inevitable:

"The cost of material will be 50 per cent above what will be paid if these houses are built under some central direction, with the material bought at wholesale for cash.

"There will be many freak houses, lacking durability and comfort and detracting from the appearance of the district, where under a comprehensive scheme all will be sanitary and comfortable and can be attractive.

"The time of settlers, which ought to be taken up with the farm work, will be given over to bargaining for material, hunting for a builder, and doing things that a properly organized central office could attend to more effectively at one-tenth the cost. Ten thousand houses and an equal number of barns to shelter work will cost $15,000,000, if any attention is given to durability and comfort. A saving of 50 per cent in value to settlers from having this done under competent direction will enable many to succeed who otherwise fail.

"The applicants for these lands, as a rule, will be men of small capital. Men who have money enough to buy improved farms prefer to do this rather than undergo the risks and hardships of reclaiming desert land and living in remote, sparsely settled districts. Experience has shown that to make the farms on some projects ready for cultivation and pay for the water right will cost about $150 an acre. The following estimate is regarded as a fair average for an 80 acre farm:

Leveling land, building checks and small ditches	$2,500
House and barn	1,500
Work team and tools	1,000
Living expenses—one year	500
Taxes, operation and maintenance—charges and incidental	300
Initial payment on water right	200
Dairy herd of 20 cows, or other live stock to eat fodder crops	2,000
Total	$8,000

"To this must be added the ultimate cost of a water right, which will be between $40 and $50 an acre."

Many settlers who are willing to face hardships and self denial have sought to ignore the cost of equipment or at least to start with less than is needed. Part of the land is left unleveled. The dairy herd is cut down. The cost of the house is reduced, but these reductions mean smaller income. They do not make for either comfort or efficiency.

Sometimes the settler can borrow money locally, but always at a high rate of interest. Sometimes there is no surplus of funds in the local bank. When it comes to borrowing from a distance the security cannot be considered satisfactory, for until improved and equipped the income from the farm is small and uncertain.

On one western project where 440 settlers are now working hard and probably will succeed, 580 have given up and gone away. This percentage of failures is too great. The waste of money, hope and labor is a tragedy. One cannot honestly encourage settlement under such conditions.

Closer Settlement of Privately Owned Land

When we come to consider the settlement of privately owned land there is little difference between the problems of the central and western sections of the country, except in the fact that great landed estates of the West afford a broader field for the introduction of a better system. Everywhere, from Ohio to the Pacific coast, the high price of land is making its purchase so difficult that real farmers of small capital are either accepting farm tenantry as a permanent condition or are looking to other lands for homes. Farm land is going into the possession of non-resident city capitalists who are content with a low rate of interest and who do nothing to uplift the social life of the communities where their farms are located. That in turn is creating a shifting rural population with less interest in community welfare, with poorer country schools, poorer churches, less conveniences in homes, more unpainted houses, gates and barns.

We cannot ignore these tendencies toward rural decadence and with easy going indifference allow our farmers to become a rack rented peasantry. We cannot leave the conditions under which poor men buy land to be fixed wholly by the owner. In other words, we must begin to regard land settlement and the maintenance of the right conditions of tenure of farm lands as a public matter. In giving effect to a policy of this kind we do not have to make any experiments or break new trails. We have examples of what can be done and how to do it in Ireland, Denmark, Norway, Sweden, Germany, Russia, six Australian states and New Zealand. These countries have made it possible for any farmer who is frugal and industrious to own the land he cultivates. The reasons which influenced Germany have been well stated in a recent report. They support with equal force the adoption of such a system in the United States.

> "Colonization has been made a public matter," says this report, "because when it was a private matter persons bought land without having funds to pay for it, only to make a profit by selling it again at the first opportunity. Unprincipled middlemen persuaded owners to part with their lands and other professional subdividers of land have sometimes unscrupulously dismembered holdings with an utter disregard for economics and the consequence has been a continual increase in the price of land.
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> " . . . While every other country exerted itself to the utmost to strengthen and augment its agricultural resources by increasing and elevating its rural population, it cannot be considered encouraging that in Eastern Germany there are vast territories almost wholly in the hands of a few landed proprietors. The existence of such large landed estates not only hinders the natural progress of the peasant class, but, greatest evil of all, it is the principal cause of the diminished population of many territories because the working classes, finding no chances of moral or economic improvement, are driven to emigrate to the great cities and manufacturing districts. Scientific researches also prove that small farms now-a-days are more profitable than large, above all, small livestock improved farms, the importance of which for the nutriment of the people is constantly increasing."

Land settlement was not dealt with as a public matter in the countries above referred to until it became manifest that non-resident ownership and tenant cultivators are dangerous sources of social and political unrest. In Europe the peasant who wanted to own his own farm was leaving for other countries where land was cheap and the conditions of purchase favorable. So many of those who remained were restless and discontented that some means of enabling them to own their homes became essential to national efficiency, if not national preservation.

In Ireland the purchase of landed estates and subdividing and selling to tenants was forced on the government as the only means of stopping ruinous emigration and dangerous political agitation. In Denmark it was taken up to provide for the surplus farm population and to prevent a costly exodus to other countries. In Central Italy discontent with tenant conditions on feudal estates had caused large areas to be practically depopulated. Cattle were being pastured where land was formerly intensively cultivated.

The result has been the evolution of a system, which, while it varies somewhat in detail, has certain essential features common to all these countries.

Small Initial Payments

The first of these essentials is a provision for enabling farmers to enter into possession of land with only a nominal payment, thus leaving the greater part of their capital available to pay for improvements and equipment.

Organized Construction of Farm Improvements

The second is the creation of an organization, either state or private, to make the necessary improvements such as houses, stables, etc., leveling and ditching irrigated land and providing practical superintendence over the farming operations of beginners to prevent costly delays and mistakes.

Long Time Payments for Land and Improvements

The third is making the period of payments long enough to enable the money to be earned out of the soil, and having the payments amortized, that is, in small amounts paid annually or semi-annually rather than in a lump sum; also securing for the settler, usually through the use of the state's credit, loans of money needed for improvements at low rates of interest.

Practical Advice and Oversight for Beginners

The fourth is the employment of capable business men fully informed regarding prices of farm equipment and farming operations in the locality to give advice to inexperienced beginners or farmers from other sections of the country who do not know what crops to plant or when or how they should be cultivated.

This local director of a colony can be of great service in bringing about coöperative arrangements in buying and selling. It is part of his duty to watch the operations of colonists and to be able to advise those responsible for extending credit who among the colonists are industrious and trying to succeed and who are idle and impractical. This oversight is an essential feature of any system which gives generous personal credit.

This state aided settlement has everywhere been remarkably successful. Inaugurated to enable men who had industry and thrift, and little else, to become landowners, but with the prediction at the outset that it would entail heavy costs to the tax payers, the conditions of payment have been so well adjusted to the profits of agriculture that in nearly all countries it has been self-supporting and in some cases has earned a profit. While doing this, it has revolutionized rural conditions. The statements of the commission from British Columbia which studied its results in New Zealand could be made of all the countries where state aid in land settlement has been adopted. The language of the commission is as follows:

> "With money available on terms suitable to the industry, the farmers have built better houses or remodeled their old ones; brought a large acreage of land under cultivation that would otherwise be lying idle; have bought and kept better livestock; have bought and used more labor-saving machinery on the farms and in the houses; have erected elevated tanks and windmills; have piped water to their dwellings and to their outbuildings; have irrigation for their vege-

> tables and flower gardens around the houses; and have increased their dairy herds. They keep more sheep and pigs and have so largely increased the revenue from their farms that they are able to meet the payments on the mortgages and to adopt a higher standard of living, and a better one. Throughout the country a higher and better civilization is gradually being evolved; the young men and women who are growing up are happy and contented to remain at home on the farms, and find ample time and opportunity for recreation and entertainment of a kind more wholesome and elevating than can be obtained in the cities.''

Plans in California and Wyoming

The California State Colonization Commission has recommended the adoption by the state of something akin to the Australian system. The board in Wyoming has recommended that arid public land be dealt with as follows:

> ''First: That this development be undertaken by the federal and state authorities in coöperation. To accomplish this, we further urge the passage of appropriate legislation, both by congress and state.
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> ''Second: That the federal government construct and operate the irrigation systems under the provisions of the United States Reclamation Act.
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> ''Third: That the state direct the sub-division, sale and settlement of the land, inaugurating a system of financial aid and practical advice to the settlers, including loans for essential farm improvements at low rates of interest with long time amortized payments.
>
> ''Fourth: That the whole development be planned in advance so as to insure everything required for complete and harmonious community life; including the provision of homes for farm laborers, farm units of varying sizes, and plans for towns, roads and schools.''

In considering the need for state action in this country it has to be remembered that our farmers come from widely different localities. They are of diverse nationalities. Naturally inclined to be distrustful of each other, they will not, at the outset, form coöperative organizations, but will be greatly helped by the practical oversight and direction of government officers. Such an influence operating at the outset will do much to create a community spirit and lead in time to confidence and coöperation, desirable things which have slow growth under present methods and policies.

This is one of the questions which cannot be solved by being ignored. It cannot be solved by what is vaguely called coöperation of the farmers themselves. The tenants who want to own farms do not know each other. They do not know where to buy to the best advantage. They lack money. They lack credit. And the coöperation of the people so situated only magnify their weaknesses. What they need is organized financial aid and practical direction. The government, that is, either the state or federal government, is the only agency which can provide this effectively. It is the only factor which has the reserve resources and can insure continuity of action.

Legislation to inaugurate such a far-reaching scheme as this cannot be expected at present. There must be a better understanding of existing conditions and the need for action. The first step should be to secure the appointment of a congressional committee to investigate the subject and to have this committee authorized to employ a body of expert assistants who should be paid for carrying on independent inquiries in different parts of the country. With this should go a campaign of education in what the agriculture of this country needs, and what ought to be done to meet these needs should be fully explained.

This Conference can render the country an important service by arranging to have this subject brought to the attention of the present congress and using its influence to secure definite action at the present session.

LAND SETTLEMENT IN THE NORTHERN STATES

E. Dana Durand *

At previous sessions of this Conference, considerable discussion has been given to the problem of credit in connection with the settlement of the arid and semi-arid regions of the West. The same problem arises in quite as serious a form with respect to those lands in the more humid states which are difficult to develop and require a large amount of expenditure for development as compared with the value of the raw lands. The states of Minnesota, Wisconsin and Michigan have enormous areas of such lands throughout their northern sections. Probably in no other states in the Union is there so much good land, with abundant moisture, which is at present unutilized.

Whereas in Iowa, a typical prairie state, more than four-fifths of the total land area consists of improved farm land (83 per cent in 1910) the corresponding proportion for the three states mentioned is only from one-third to two-fifths (Minnesota 38 per cent, Michigan 35 per cent, Wisconsin 34 per cent). The unused land in these lake states lies chiefly in their northern parts, the southern section of each being well developed and with high prices for farm land. There are many counties in the northern parts of these states in which there is as yet almost no agricultural development, in which the improved land constitutes less than five per cent of the total area. Five of the largest counties in Minnesota in 1910 reported less than one per cent of their area as improved farm land. While a considerable fraction of the unused land in these northern sections is not very well adapted to agriculture, there are millions upon millions of acres which merely require improvement to make them fair, if not excellent farm land.

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Unused Lands Lift Cost of Living

It is not only to the interest of these states themselves that this unused land, so far as it is suitable for agriculture, should be brought into use with reasonable promptness, but it is also highly desirable for the well-being of the country and of the world as a whole. The land which is easily developed in the United States has already been brought into use. Population has been increasing much more rapidly than the area devoted to agriculture and, since there has been comparatively little increase in yield per acre, agricultural production has failed to keep pace with population. The same condition appears to exist with respect to the world as a whole. This is in large part the explanation of the high cost of living. The prices of farm products have advanced more rapidly than those of other products. The world needs more agricultural land as well as more efficient use of the land already cultivated.

Why is it that land of reasonable fertility and supplied with abundant moisture remains out of cultivation in such states as Minnesota, Wisconsin and Michigan?

As nearly as one can ascertain the difficulties of bringing much of this unused land into cultivation are scarcely greater than those which confronted the pioneers in such formerly forested states as New York, Ohio, Kentucky and much of Indiana. Some of the land in these northern sections no doubt is more difficult to improve but for much of it the labor and capital required is not excessive.

More inducement, however, is needed to lead men to engage in pioneer work now than formerly. A century or even half a century ago scarcely any other career than farming was open for the young man born in this country or for the immigrant. The hardships of developing new lands were taken as a matter of course. Nowadays opportunities for employment in the cities, as well as their social and other attractions, draw many young men away from even favorable conditions in the developed farm regions, to say nothing of keeping them from going to new regions where the development of farms is laborious and slow. Equally difficult is it to induce city dwellers to go into farming, particularly where the initial conditions present any measure of hardship. Men with capital sufficient properly to develop such lands as those of Northern Minnesota, Wisconsin and Michigan comparatively seldom go there at present. Those without capital too often fail to make a success, or are able to make progress only with extreme slowness.

Under these conditions it seems appropriate that the states and the Nation should do all that is in their power to make it easier for the settler in new agricultural regions. Measures that perhaps could not be justified if designed merely to benefit those directly concerned, may be justified by the importance to the whole public of extending our agricultural area.

What Hinders Development

The chief physical hindrances to agricultural development in the northern sections of the three states under consideration are (1) the forests and stumps, (2) the swamps and (3) the stones. The degree to which any one of these hindrances is present varies widely in different parts and even within short distances. In some cases all three obstacles to cultivation are present in the same area in such measure as to render agricultural development very difficult. There are some lands in Northern Minnesota, for example, which, though well suited to agriculture, cost from $100 to $200 per acre to put into condition for cultivation. In other cases the cost is far less, though for the bulk of the land the cost of improvement is materially greater than the present market value of the raw land.

Most of the forests which have to be removed in order to permit agricultural use of land in these regions contain timber of little value at the present time. The white pine and other valuable timber has for the most part been cut; the pine especially being witnessed only by the big, tough, unrotting stumps which are one of the greatest obstacles to cultivation. There remain inferior trees of original or second growth. In a good many cases, the timber on the land would be worth enough to cover the cost of removing it, sometimes much more, were there convenient access to market. But as it is, the bulk of it brings little or nothing to the settler. However, the timber is increasing in value, and one of the important problems is that of getting as much as possible out of it.

The swamp land area in these northern states, especially in Minnesota, is great. Most of the swamp lands were conveyed by the federal government to the states more than half a century ago. The states have given much of this to railroads or otherwise disposed of it, but in Minnesota at any rate the state still owns a large quantity of swamp land. Much of this swamp land is very satisfactory for agriculture if properly drained. The states and the counties have undertaken many large drainage enterprises but not always wisely. In some cases the land drained is not very well adapted to agriculture and in other cases the drainage projects have been undertaken too long in advance of the demand for use of the land.

The construction of the main ditches which the governmental enterprises provide for represents usually much less cost than that of the local ditches and tile drains which are required on the individual farm. Settlers too often do this work of local drainage very poorly.

Problem of The Peat Lands

One peculiar problem appears in these northern regions—that of peat soils. Minnesota has several million acres of land covered with peat. Such soil lacks necessary mineral elements. With methods known at present, too much expenditure seems to be necessary to make deep peat produce good crops. The proper drainage of such lands is also a difficult problem. The first need with respect to peat lands is a thorough scientific experiment as to the best methods of draining and using them.

Preparation of Land Before Settlement

As already stated, comparatively few of the settlers who have come to the northern regions of Minnesota, Wisconsin and Michigan, have had enough capital to enable them to do much at the outset in the way of preparing new land for cultivation. Since very seldom is any preparation of the land made by the original seller, the man without capital usually cannot, for some years, raise enough from his land to support his family, to say nothing of paying for improvements. A large proportion of the settlers find it necessary to work off from the land—in the timber camps or the mines, or on the roads, drainage enterprises and the like—much of the time during their first few years. The development of their land goes on but slowly and often is not well done.

It is desirable either that a reasonable proportion of each tract of land offered to settlers should be improved in advance of sale, or that such credit should be made available for the settler that he can borrow the money to improve a reasonable fraction of his land at the outset. The former method is perhaps preferable because the settler is apt, from lack of experience and facilities, to improve his land less economically and satisfactorily.

Importance of Community Settlement

One of the greatest difficulties confronting the settlers in this region is the absence of community life. The settlers are unduly scattered. The temptation is to pick out a piece of land which is relatively easy to develop or which has superior soil, without regard to the distance from other settlers, from railroads and from markets. Where settlers are thus scattered, it is impossible to provide satisfactory roads for them to reach their neighbors or the market towns. There is not apt to be enough of any one product raised in a given locality to justify the provision of satisfactory marketing facilities. Thus, while dairying appears to be the branch of farming to which most of Northern Minnesota is best adapted, the sparseness of settlement makes it impossible, for the most part, to maintain local creameries, and the farmers have to put up with the much inferior method of making butter on the farm. The absence of a community again largely prevents mutual help among the settlers in their tasks of clearing, erecting buildings, and producing crops. It makes it difficult to maintain good schools and difficult for the children to reach the schools that do exist. It prevents the development of any considerable measure of social life.

One of the essentials of public policy with respect to land settlement is the promotion of community settlement. In the states under discussion practically nothing has been done by federal or state governments to promote this method of settlement and comparatively little has been done by private initiative.

The problems of land settlement cannot of course wholly be solved by legislation. The states and nation are, however, in a position to do something toward bettering conditions.

Topographical and Soil Surveys Are Needed

The first thing that is desirable in such a region as Northern Minnesota is a thorough survey of the land. Broad and general topographical and geological surveys have been made, but far more detailed surveys are needed. In the conduct of such surveys not only engineers and geologists should participate, but also soil experts, forestry experts and agricultural economists.

Such a survey would serve in the first place to determine which lands are satisfactory for agriculture and which would be better left permanently in forests. Much of the land in these northern regions is too rough, rocky and stony to be well suited for agriculture. Moreover, forests are needed both to supply timber products and to regulate stream flow. It would not be appropriate at this time to discuss the proper policy with respect to the lands which are deemed most adaptable to forest purposes.

It should be noted further that a great deal of land, while ultimately no doubt desirable for agriculture, has now upon it partly grown timber which should be allowed to ripen. When there is so much land with no timber or on which the timber will never become of much value, it is an economic waste to cut down trees which, when they become larger or when markets become more accessible, will have a very considerable value.

Such a detailed land survey, moreover, is necessary to determine the proper character of drainage enterprises, both public and private. It would serve further as a guide to determine which sections can best be developed first, whether from the standpoint of quality of soil and ease of preparing it for use, or from that of accessibility to means of transportation and markets. It would help to determine the proper methods of clearing forests and removing stones as well as the proper methods of agricultural use after development. Incidentally it would also do much to prevent the virtual deception and fraud upon settlers, which now so often occurs.

Need of Policies for Public Lands

A second broad aspect of governmental policy with respect to these undeveloped lands has to do with the lands still owned by the federal government or by the states. In Northern Minnesota approximately a million acres of land are still owned by the federal government and more than two million by the state. It can scarcely be said that there has been any reasoned policy with reference to the disposal of these lands. Even though the federal land policy may have been satisfactory with respect to the prairie lands or the lands easily developed, it is obviously unwise to apply precisely the same policy to lands that require extensive drainage or difficult clearing.

Most of the federal lands in Minnesota are swamp lands. Under the Volstead act, applying only to federal lands in Minnesota, the federal government permits the state and the counties at their own discretion to construct drainage enterprises which affect those lands. The federal lands are assessed for their share of the cost of ditches. The federal government does not pay these assessments, and when they consequently become delinquent the act provides for turning the lands over to the counties for sale. The counties are permitted to sell them only to persons qualified as homesteaders under the general federal laws, and must account to the federal government for the minimum price of the land, $1.25 an acre. This entire policy, in my judgment, is unsatisfactory. It amounts to turning over federal lands, not to the state, which might conceivably adopt a rational policy in marketing them, but to the individual counties which can scarcely be expected to pursue such a policy.

The State of Minnesota, also—and I believe the same is true of most other states which received land from the federal government—has hitherto lacked any carefully planned policy as regards the settlement of state lands, especially those which require difficult clearing or other improvement. In Minnesota the sale of public lands is in the charge of the state auditor, whose many other functions prevent him from giving careful study either to the general problem or to the particular questions which constantly arise. No special attempt has been made to see that the lands sold by the state get into the hands of those who wish actually to use them. While liberal credit has been granted for the price of the land, nothing has been done to prepare it for the settler, or to help the settler improve it. The state has done almost nothing to promote community settlement upon the lands which it has sold. Scattered small tracts have often been offered for sale when it would have been possible to withhold from sale all but a limited area of more or less contiguous lands, and thereby to foster the development of true agricultural communities.

Fortunately, the people of Minnesota have just adopted a constitutional amendment which will permit a wiser policy with respect to the state lands. A revolving fund has been created which may be used for draining or clearing lands owned by the state or for construction of roads along them. The cost of such improvements is to be recouped through the enhanced value of the land. One of the most important tasks before the legislature this winter is to formulate legislation for wisely carrying out this constitutional amendment. Such legislation should be so framed as to insure so far as possible the success of the settler. If the state adopts an efficient policy under this amendment, its example will, it is to be hoped, lead many of the large private land owners to pursue similar methods.

Essentials of State Land Policy

The essential features of the policy which should be adopted by Minnesota under this constitutional amendment seem to be:

1. The clearing or drainage of a sufficient proportion of each tract of land sold to permit the reasonably efficient settler to earn a modest living on the farm from the outset. It is not desirable that the entire tract should be improved, as this would involve too great an extension of state credit, and as it is

doubtful whether the cost would be as low where the improvement is done all at one time as where it is done gradually by the settler. It would perhaps be wise to permit settlers to contract to improve their own land, receive pay from the state for the work at the outset, and later to repay the state. This would amount to lending the settler money for improvement. It may not be permissible under the wording of the constitutional amendment.

2. The granting of adequate credit for the cost of such improvement. At present any one who buys state land is required to pay 15 per cent of the price in cash and is given 40 years at four per cent interest in which to pay the balance, with no requirement of gradual amortization. If credit is given for the cost of improvements, there should be a requirement for gradual repaying of the principal, though perhaps during the first few years no such payment should be demanded.

3. Such selection of the lands to be improved and sold as shall best promote agricultural development. The lands on which the settler is most likely to succeed should of course be developed first—the conditions of success being judged not merely by the character of the land and of the obstacles to cultivation but by the situation with reference to markets and means of transportation. In particular the policy of community settlement should be pursued as far as practicable.

4. Sale of state lands, whether previously improved or not, only to bona fide settlers who will undertake to bring it into actual use for agriculture.

Relation of Credit to Land Question

The third great line of public policy with respect to the unsettled area of such states as Michigan, Wisconsin and Minnesota, has to do with credit, apart from the credit which may be granted to the settler on state lands. It is evident from what has already been said that the credit problem is peculiarly difficult for the settler in a region of this character. In a prairie country the value of land itself constitutes a large part of the value of an operating farm. The settler can borrow on his land a considerable fraction of his total investment. Moreover, men who already possess considerable capital are more likely to go to a prairie country than to one where the preparation of the land is difficult. In a country where forests, stumps, stones and swamps must be conquered, the settler cannot borrow on his land more than a small fraction of the cost of the developed farm. The cost of clearing and otherwise preparing the land for cultivation usually much exceeds the price of the raw land.

A large proportion of the settlers in these northern regions buy the land itself largely on credit. Private settlers as well as the state are usually liberal in this respect. The settler may give a first mortgage, in which case under existing conditions it is difficult for him thereafter to borrow more money on the land, even though its value be enhanced by improvements, until the mortgage falls due. In many cases the settlers take land under contract of sale, the title remaining in the seller. Under this practice they seldom can borrow anything more on the security of the land. The total need for credit is far from being supplied by even the most liberal terms as to the purchase price of the raw land.

Federal Farm Loan Act Fails to Meet Needs of Settlers

The new federal rural credits act will accomplish comparatively little for the settlers in such a region as Northern Minnesota. The strict limitation of the amount of the loan under that law to 50 per cent of the value of the land and 20 per cent of the value of improvements, prevents it from meeting the need for a large measure of credit. It is to be feared also that the requirement that the local farm loan associations shall comprise borrowers desiring at least $20,000 of loans will be a hindrance to the success of the law in a thinly settled region where the individual settlers are not in a position to borrow more than very small amounts. The area which a single association would have to cover in order to meet this requirement would be so large as to prevent that personal acquaintance and contact which is necessary to the success of an organization, especially one involving some measure of mutual liability.

Further Credit Aid Needed

It remains for the federal government, or the states, therefore, to consider other means of furnishing credit to new settlers in such a region as that under consideration. The industrious and capable settler should be able to borrow a large proportion of the value of his land and improvements. As from time to time more land is cleared or otherwise improved, the settler should be in a position to borrow more for still further improvement. He needs long time loans with gradual amortization. He may need to be relieved of principal payments during the first few years of settlement. Of course he needs a moderate rate of interest.

These requirements are not easy to meet. It is not, of course, possible to provide credit for the man who does not deserve it. It is not possible to provide credit for developing land which is incapable of earning the means of paying interest and principal. In view, however, of the fact that in a new region such as this, if land settlement is properly conducted, land values tend rapidly to rise with the growth of population and the improvement of the lands, it should be feasible to furnish a large measure of credit under favorable terms without serious risk of loss. Due care must, of course, be exercised with respect to the character of the settlers to whom loans are made. Careful study of the character and capabilities of the land is necessary. Unless settlement is conducted in a rational manner, so that the settlers are likely to succeed, the lender takes undue risk. A proper credit policy is bound up with a proper policy with respect to all other features of land settlement.

It is not my purpose to suggest precise means for furnishing more satisfactory credit facilities to new settlers. It may be found that some form of state loans furnishes the only solution. Perhaps something can be accomplished through associations of borrowers, with unlimited mutual liability, though this system is less feasible in a newly settled country where the farmers are strangers to one another than in an older region. It may be that private capital, particularly that of local investors, who are interested in the general development of the region, can be induced, under proper state supervision, to furnish a greater measure of credit. The subject is one which such states as Minnesota should carefully study. I am inclined to believe that state, rather than federal legislation, will best serve the purpose of providing that upper fringe of credit which is needed for the new settler.

How to Regulate Commercial Sales of Land

Finally, a proper public policy with respect to land settlement will exercise some measure of influence and control over private land holders who have lands to sell. Immense quantities of land in Northern Minnesota, Wisconsin and Michigan are held by a comparatively small number of persons or concerns. In the early days timber companies acquired—sometimes by rather devious means—great holdings primarily for the sake of the timber. In many cases they still hold the cut-over land. Some railroad companies still have large tracts derived from federal or state grants.

I shall not discuss here the question of the legal or moral rights of these large land holders or the problem of the unearned increment of land. Without any radical interference with what are commonly considered private rights, large land holders might be influenced to pursue a policy better calculated to promote agricultural development than that which they usually pursue. In fact, a policy beneficial to the public interest would probably serve also the private interests of such land holders.

If large land holders would adopt such policies with reference to the preparation of their land for sale, the granting of credit for improvement, and the promotion of community settlement as have been suggested as desirable with respect to state lands, they could do even more than the states in promoting the development of the lands of these northern regions. It may be that the pursuit of such policies could be furthered by permitting and encouraging large land holders to pool their lands. It often happens that a number of large holders together possess the greater part of the land in a given locality, and yet that these holdings are so divided and intermingled that no one holder alone can economically prepare land for sale and efficiently promote community settlement. The formation of colonization companies, in which the present land holders should become the controlling stock holders and to which they should turn over their lands, would prove advantageous in many cases. It may be that less can be accomplished through permissive or regulatory legislation with regard to large land holdings than through the influence of public opinion. Education and agitation with reference to the proper policy to be pursued by the owners would have much influence upon them.

Regulating Land Advertising

One thing the state can and should do with regard to private holders of undeveloped lands: As far as possible they should be prevented from misrepresenting lands which they offer for sale. It is not merely an injury to the individual buyer of land that he should be deceived regarding its value and capabilities; it is an injury to the general public in that it ultimately retards or prevents effective agricultural development. While doubtless the majority of land holders and land agents are honest, misrepresentation is still too common. A man unfamiliar with the peculiar conditions and difficulties confronting the settler in a new region may easily be deceived both as to the character of the land and the difficulties of bringing it into use.

It has too often been the policy of our states to seek indiscriminately to induce immigrants to come to the lands of the state. Boosting methods have prevailed. State authorities themselves have misrepresented conditions. They have thought chiefly of the numbers that could be induced to come in from year to year rather than of the success of the settlers and the extent to which real agricultural development was secured. So-called state immigration bureaus and other state authorities that have to do with land settlement, whether of the state's own lands or of privately owned lands, owe it to the settler and to the state as a whole to tell the truth, to refrain from exaggeration, to set forth clearly the difficulties confronting the settler, to promote first the settlement of those lands that are most easily usable, to guide and aid the settler in every way possible.

It is high time that the federal government and the states adopted a broad and comprehensive policy—perhaps a policy that from some standards would be considered somewhat paternalistic—with respect to the settlement of the inferior lands of the country and of the lands which are more difficult to bring into cultivation. There has hitherto been an almost complete lack of study of the subject. There has been little that could be called a reasoned policy. The problem is one of the biggest confronting the American people.

A NEW POLICY OF LAND SETTLEMENTS FOR THE PACIFIC NORTHWEST

HECTOR MACPHERSON *

From time immemorial the human animal has been pushing out for elbow room and exploring new territories in his struggle for existence. From the period when the Phoenician trader was groping westward through the Mediterranean and up around the coast of Western Europe, to be followed by the Greeks, the Romans, the traders of the Italian cities, and the Mohammedan Moors, there has been a pressing of civilization westward.

In every case, we find that the bearers of the torch of civilization have been the adventurous elements of the races. The hardy Phoenician traders, the Greek merchants, the navigators of the Italian cities, the Moorish warriors, were the bearers of civilization westward from its cradle in the East, until by the year 1492, the principal achievements of civilization had been fairly well disseminated throughout the western world.

With the year 1492 and the discovery of America, there was opened up a great new field for the adventurous and imaginative explorer and settler. From the nations of Europe,—Spain, France, England, Holland and Sweden,—came colonies that entered upon the task of exploring and settling the new world. These formed the foundations of our first American stock. They were finally dominated by the settlements of English who

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formed the basis of the original 13 colonies, which set up the standard of independence.

Since the Revolutionary war our country has been a happy hunting ground for the adventurous spirits of all Western Europe. They have piled themselves upon our eastern shores only to begin the trek westward and northwestward in search of adventure, seeking for new lands to till and new fields for economic gain. In the Pacific Northwest this westward migration which has been pushing on throughout the ages, has finally come to the end of its course. The wanderers can proceed no further westward, and must retrace their steps or settle down to overcoming the obstacles of homemaking amidst arid plains, swampy tidelands, or logged-off timber lands. Or if they have the means they may buy a home from the improved lands of pioneers.

The Unsettled Lands of the Pacific Northwest

It is in the far Northwest that the most considerable bodies of unsettled tillable lands remain in this country. We have Washington with an area of 42,000,000 acres, of which less than 6,500,000 are improved farm lands; Oregon with 61,000,000 acres and 4,250,000 acres in improved farm lands; Idaho, 53,000,000 acres and 2,750,000 acres in improved farm lands; Montana with 3,000,000 acres and 3,500,000 acres improved.

Of these vast areas much to be sure will never be cultivated. But in all of these states there are areas of tillable lands still unclaimed and still undeveloped, which are as large as many eastern states. To take my own state of Oregon as illustrating the situation, we have approximately 80 per cent, or 16,420,422 acres of our tillable farm land still uncultivated. We have still unimproved lands in the state open to homestead entry aggregating 16,000,000 acres. This, as has been pointed out by President W. J. Kerr of the Oregon Agricultural College, in a recent hearing before the Federal Farm Loan Board, is about equal in area to the entire improved lands of the state of Indiana.

We have many counties in the Northwest as large as many eastern states. Harney county, Oregon, for example, has an area of 9,936 square miles, the State of Maryland 9,941; Malheur county, Oregon, an area of 9,884 square miles, Vermont, 9,124; Crook county, 7,778 square miles, New Jersey, 7,514; Klamath county, 5,999 square miles, Connecticut, 4,820; Douglas county, 4,922 square miles, Delaware 1,965.

Many of these counties have arable lands still uncultivated, equalling the entire cultivated areas in many of these older eastern states. Again illustrating from Oregon, there is an estimated 3,299,514 acres of arable lands never yet cultivated in Harney county, while the entire state of Maryland has but 3,354,767 acres under cultivation. Malheur county has 2,633,487 acres tillable but uncultivated lands, while the state of Maine has 2,360,657 acres under cultivation. Crook county has 1,428,218 acres susceptible to cultivation but unused, while New Jersey has 1,803,336 acres of tilled farm lands. Lake county has 1,423,836 acres of land which may be tilled, while Vermont is cultivating 1,633,965 acres. A careful analysis of farm land conditions in other northwestern states will show similar large areas waiting for settlement, and the question arises, "Why have they not been taken up and made into homes?"

Why They Are Not Settled

In order to answer this question it is necessary to examine the character of these agricultural lands, which have never yet been brought under cultivation. Roughly speaking, they may be classified under the following heads: (a) Rich lands, occupied in farms but sparsely settled and uneconomically utilized; (b) Arid lands, which are susceptible to irrigation; (c) Semi-arid or arid lands, which may be cultivated by dry farming methods or used for pasture; (d) Swamp, wet and overflowed lands; (e) Logged-off lands.

The bare enumeration of these various classes of land goes a long way toward explaining why they have not yet been taken up. Those of us who have been familiar with the sweep of the American frontier across the continent, until by 1880, the census could declare that the frontier had entirely disappeared, are apt to marvel at the slowness of settlement in the Pacific Northwest. We must remember, however, that the vast areas occupied during the first three-quarters of the nineteenth century were comparatively easy to subdue. The great prairie regions supplied hay for the cutting, game for the stalking, and abundant crops were the response to even the most careless cultivation. They were taken up and tilled largely by those who were ready to subsist for as long a period as might be necessary, by the self-sufficient type of agriculture. Food, clothing, shelter and even to some extent implements and household furnishings were wrested directly from nature. The struggle for existence was rigorous, but supplied a rough but wholesome means of subsistence. These conditions, however, cannot be duplicated on the unsettled lands of the Pacific Northwest.

In the first place, the self-sufficing type of settler is now practically an extinct species. Commercial agriculture with the greater comfort and convenience it affords has driven the self-sufficing type from the field, and with its passing the ability of the new settler to enter the wild, barehanded and make himself a home has become a thing of the past.

Then, too, the lands which are still to be settled are of a vastly different character from those over which the frontier pushed its rapid course. Our best lands in the Pacific Northwest were early settled on the old donation claim plan, whereby large areas came into the possession of single families. Although the old donation claim lines are largely obliterated the lands are for the most part still held in farms altogether too large to be handled efficiently. Yet they are held at prices which make it practically impossible for the new settler with little capital to buy them, pay for them and make a living in the process. The arid lands require large amounts of capital to bring them under irrigation. Until this has been accomplished the settler cannot exist. Our semi-arid dry-farming lands must be cultivated in large areas by the extensive method. This again takes expensive equipment, and large amounts of capital in order to get started. Our swamp and tidelands with the most fertile soil in the world must be diked and drained by an expensive process. Our logged-off lands require an amount of capital and labor to bring them under cultivation which staggers the imagination of the easterner who has been accustomed to his little trees and easily rotted stumps. Under these conditions, experience has demonstrated that the old easy methods of land settlement fail utterly, when we come to the Pacific Northwest.

Past Methods of Land Settlement

But as the figures quoted above have indicated, the far Northwest already has considerable areas of land under cultivation. Let us examine briefly the methods by which these lands have been settled, and ask ourselves whether or not they have been adequate to our needs?

The outstanding characteristic of New World colonization policies has been the desire to attract settlers. This has been true to a large extent of the United States as well as of the several commonwealths. It has been even more conspicuous in the colonization policies of railroad companies, of commercial clubs, colony promoters and real estate firms.

In general it may be maintained that this policy has been a commendable one. To achieve progress along any line, population must not be too sparse; and our most difficult problem in winning a continent from nature has been the attracting of sufficient workers to subdue it to the uses of man.

Under the early movement of settlement across the continent the dominant desire to attract settlers could result in little or no harm. Each settler became a self-supporting unit in the community. But under the conditions noted in the Pacific Northwest, great evils have resulted from faulty methods of land settlement.

National and State Policies

With the passage of the Preemption Act in 1841 the federal government definitely foresook the policy of using the public domain as a source of revenue and began a permanent policy of land settlement. This policy found more complete expression in the Homestead Act of 1862 and may be traced through the series of acts following, including the Timber Culture Act of 1873, the Desert Land Act of 1877, the act providing for segregation of reservoirs 1888, the Carey Act of 1894, and the Reclamation Act of 1902. The Northwestern states also have taken a hand in legislation calculated to promote the settlement of the various types of land enumerated above.

But up to the present time, we must admit both state and federal policies for the promotion of the settlement of irrigated lands have fallen far short of expectations in the Pacific Northwest. Without doubt, a few very successful projects have been settled under the Carey and Reclamation Acts. But even here, we have few or no safeguards to protect the settler from the numerous pit-falls that beset his path in making himself a home on a new project.

Despite state and national regulation, projects developed under the Carey and Reclamation Acts have sometimes failed, leaving considerable communities of settlers stranded in the desert. Hundreds of other settlers have been attracted to these projects through advertisements of promoters and commercial clubs, only to be bitterly disappointed in the results attainable from the lands purchased.

In many instances individuals or companies have exploited the land that has been irrigated greatly to the detriment of the settlers. In one instance which has come under our observation, one individual owned more than half of the land irrigated under a federal reclamation project. He formed a company to exploit the land in which he himself was the major shareholder. But the exploiter not being afforded sufficient protection by the formation of this company, had a new company formed which was made the sole agent of the first company in the sale of its lands, the second company being a mere figure-head to take the blame of misrepresentation and other abuses connected with the sale of the land. This land was started at $50 an acre and has been raised repeatedly until a figure of $250 per acre has been reached in some cases, and this in addition to the charges for water made under the Reclamation Act. Little wonder that after 10 years of operation the project is not over one-third under cultivation.

In several instances state aid has been granted either independently or in coöperation with Carey Act and Reclamation Act projects to bring lands under irrigation. In many cases, however, we are again faced with a situation in which the main responsibility for obtaining the legislation rested upon land owners in the projects to be irrigated who hoped to reap their reward by the exploitation of prospective settlers.

Railroad Policies

The railroad company is interested in land settlement from two points of view. In the first place it may have lands to sell and be anxious to dispose of them on the best conditions possible. But its prime interest in getting the land settled is to create business for the railroad which runs through the lands. It wants prosperous farms capable of producing tonnage from which it expects to reap its profits. Consequently some of our best settlement work has been done under the efforts of railroad companies. In some cases, however, there have been abuses connected with the dependence of our state and national government upon the railroads for land settlement. There have been instances in which the road hoped to profit more from the increasing value of the lands than it could by having the lands sold and settled at a lower valuation. The railroads have been among the worst offenders, too, in putting out grossly exaggerated literature to attract settlers.

Promoters, Commercial Clubs and Real Estate Firms

By far the greatest amount of injustice in land settlement has resulted from the efforts of promoters, real estate firms and commercial clubs. The colony promoter has probably done more to discredit the Pacific Northwest than all other influences combined. His method of operation has been to secure a block of low-priced land, break it up into smaller tracts and sell it as fruit or nut orchard tracts, truck-gardening farms or poultry ranches. Having chosen his specialty he gets out a prospectus of the colony, employs expert help to write up its possibilities and of course claims that the best results recorded anywhere in the state will be easily attained on his project and proceeds to sell the lands to innocent professional and business men throughout the East.

The commercial clubs of the Northwest are composed of business men who are mainly interested in having the country settled with a view to increasing the business of their respective localities. The real estate firms differ from the colony promoters in that they usually sell lands for others on a commission basis. They themselves may be members of the local commercial club, or of a colony promotion company in their immediate neighborhood. On the face of it, however, their business is legitimate, and while their commissions may be excessive in many cases, under present conditions, they form a necessary link between buyers and sellers of real estate.

The most fundamental criticism which must be made of all these agencies in land settlement, with the possible exception of the federal government, is that of exaggeration. While the federal government has on the whole tried to be impartial in its representations, it has in some instances been almost forced into exaggeration in self-defense. That is, certain projects have been undertaken under the Reclamation and Carey Acts which were, to put it mildly, premature, and have necessitated able defense in an attempt to justify them. But the great evil has resulted from the taking by promoters, commercial clubs, and real estate firms of disconnected statements from federal reports, and the utterances of United States Reclamation Service officials, and playing them up in such a light as to deceive the prospective settler.

The use of statements connected with the name of "the United States government," "the United States Reclamation Service," and the names of the "prominent engineers and officials in that service," has done much toward deceiving settlers into expectations which were beyond the possibility of realization.

The Fruits of Misrepresentation

The whole system is conducive to the production of evil results which it takes at least a generation to eradicate. Misrepresentation as to costs of getting started leads to settlers attempting to establish themselves with too little capital. The result in many cases is disastrous and settlers are compelled to abandon their homes having lost everything they possessed. In many cases the settlers are overcharged for the lands they acquired to an extent which weakens the whole community financially, and makes progress exceedingly difficult. But there exist thousands of cases under private promotion schemes resulting in still greater evil. The operations of the "gold brick" and "lightning rod" men of earlier days were innocent, if not praiseworthy, by comparison. Orchard tracts have been laid out on lands utterly incapable of producing fruit, nut groves on bleak hillsides where no one but Jack Frost has a chance of reaping the harvest. Hard working families have come westward expecting to find a veritable garden of Eden awaiting them, only to find that their possessions would hardly maintain a family of jack rabbits or sagebrush rats.

Under such a combination of circumstances development has been slow, social institutions meager and inefficient, and settlers discontented.

The Time Ripe for a Change

As never before the entire Northwest is becoming aroused to the necessity of a complete change of land settlement policy. Greater care is being exercised in the information sent out for the benefit of settlers by departments of state, and the commercial clubs themselves, where they are not dominated by the promoter, are recognizing that satisfied, prosperous settlers form the only safe basis on which to build up a community. Since agriculture is the most important industry in these Northwestern states it is being recognized that the amount of farm products and not the number of real estate deals, forms the decisive criterion of progress and prosperity. Even realty men are talking of enforcing moderation and justice for their patrons.

To him who is able to read the signs of the times, it would appear that the time is ripe throughout the Northwest for the establishment of a constructive and enlightened land settlement policy, and we turn briefly to a consideration of the question as to what such a policy should include.

Denmark's Lessons

In the old world we can learn from such a country as Denmark, which has staked its national stability and prosperity upon the establishment of the small independent farmer. In order to bring about a wide distribution of land ownership the government has loaned a large amount of money to individuals desiring to purchase small farms. In 1913 about 6,000 of these small farms had been established, the government loaning 90 per cent of the valuation of the farm to be repaid over a long period of years on the amortization plan with three per cent interest.

Ireland and Her Land Policy

Ireland, to take another illustration, had for generations been developing the most ignorant, ambitiousless, shiftless peasantry to be found anywhere in Europe. The British government finally awoke to a realization of the conditions which had resulted from a combination of the ravages of famine, the abuses of absentee landlordism, and its own misgovernment, and began to cast about for a remedy. The result was the establishment of a system whereby the government supplied credit to the tenants, enabling them to purchase their holdings from the landlords who were under compulsion to sell. As a result, Ireland is being transformed into a country of independent land-owning small farmers. Already are to be seen the signs of prosperity and the magic touch of land-ownership.

New Zealand and Australian Policies

But it is to the newer countries like New Zealand and the Australian states that we must go for lessons in settlement which should apply most nearly to our Pacific Northwest. Their problems are similar to ours. They had abundant resources and large areas of agricultural land, but lacked both capital and settlers for their development. The government set itself the task of attracting settlers, supplying them with capital and setting them to work scientifically in the development of those resources. The plan has worked out admirably and affords valuable suggestions for the American states under consideration.

Let us briefly consider the last settlement program of Victoria as affording an illustration of the most progressive type of state legislation. By its Advances to Settlers and Closer Settlements Acts, this province has gone a long way toward eliminating hardship and privation from the process of settling its land. By the former act it has secured funds on the credit of the state and reloaned them to settlers for developmental and productive purposes at 4½ per cent per annum; the loan being payable in a long term of years upon the amortization plan.

By the latter act, it has taken hold of its arid lands and developed them in a way which has eliminated practically all of the features that have lead to the condemnation of our American policies as failures. In the first place the private speculator is eliminated by the government's taking over the lands to be irrigated. Then the irrigation system is established and the lands divided up into small farms of 40 to 80 acres each. These farms are then sold to settlers at the actual cost to the government of the lands and their recalmation. In fact the Closer Settlements Board will go farther than this. It will level the land, place the water on it, seed a proportion of it to alfalfa, put up suitable farm buildings, and even purchase cows under the supervision of a dairy expert to be placed on the land. The settler may thus take possession of his farm and find it in shape to return an income almost from the start.

The following paragraphs taken from the Australian Year Book of 1914 give sufficient detail for our purpose:

> (*IV*) Closer Settlement in the Irrigated Districts. The movement for closer settlement in the irrigated districts started about four years ago. The state had expended between three and four million pounds on irrigation works, which were not being used to their full extent. Under the Goulburn Scheme, the largest of the state works, more than half the available water was being wasted. The reason was lack of people to cultivate the land as irrigation requires. Previously, in the various districts the average size of farms varied from 400 to 600 acres, while under irrigation from 20 to 80 acres will now give employment to a good-sized family and furnish them a comfortable living. The large farms of the irrigation districts could not be properly cultivated by their owners, and the only way to make irrigation a success was to subdivide these holdings and bring in farmers to cultivate the smaller areas. To this end, the state offered to buy suitable land in any district having a reliable and am-

ple water supply at a price fixed by impartial expert valuers, and has now purchased about 111,000 acres for this purpose. This land is sold to settlers on 31½ years' term with 4½ per cent interest on deferred payments. These payments are calculated on the *Credit Foncier* basis and are equalized through the whole period. As a result, the settlers by paying an additional 1½ per cent, or 6 per cent in all, on the cost for 31½ years pay off both principal and interest. To help the settler of small capital, the state will build him a house and give him 15 to 20 years to pay for it, will prepare a part of his area for irrigation and allow payments to be extended over 10 years. The cash payments required are as follows: On houses costing less than £100, £10; from £100 to £150, £15; while on houses costing more than cash payment varies from 12 to 30 per cent of the estimated cost. A cash payment of one-fifth the estimated cost of preparing land for irrigation is required. The state also makes loans to settlers equal 60 per cent of the value of permanent improvements, these loans to be repaid in 20 years. Five per cent interest is charged on all advances—whether for houses, preparing land, or money furnished the settler. In the past four years, 914 irrigated blocks, averaging 62 acres, have been taken by settlers of whom 335 were from oversea, chiefly from Great Britain, and 579 were Australian. At Shepparton, one of the oldest of these settlements, there are now 46 families with good houses, many young orchards, fine crops of lucerne and vegetables, where in November, 1910, there was not a house, a family, or an acre of cultivated land. Under 3 years ago there were 27 houses, in the Rochester district; now there are over 230. In Tongala there are now 180 houses where 2 years ago there were 30.

Similar progress has been made in the other settlements. Houses being erected are of a better type than the original ones. This has been made possible because the settlers now applying have as a rule more capital than the earlier ones and desire better homes.

Here, then, we have the essentials of the system which I am convinced is going to be adopted by the land settlement policy of the future in the Northwestern states.

Distribution of Accurate Information

The first essential is the distribution of accurate and unbiased information. There is nothing whatever to be gained in the long run by exaggeration and false reports concerning the lands of any sections of the country. But to secure the dissemination of accurate information there must be some central authority which will censor all literature sent out for the purpose of attracting settlers. This will mean that commercial clubs and chambers of commerce pamphlets, promoters' prospectuses, real estate catalogs and leaflets, and documents issued by various state bodies must be subjected to some impartial critic who is not dependent upon political favor for his office. Only by some such provision as this can we secure truthful dealing with those who are to be our future citizens.

Eliminate the Promoter and Speculator

The second essential is the complete elimination of the promoter, and land speculator from all colonization projects. In the first place the promoter's method is an exceedingly costly one. It has frequently been costly from the standpoint of the promoter himself and vastly more so when the economic and social welfare of the community are taken into consideration.

I have in mind a simple reclamation project by diking an area of overflowed land in which the promoter obtained the land and even constructed his dikes at a total cost of $60 an acre. The project is being very slowly peopled at a cost of $200 an acre to the settler. There is no defensible reason why one man should be given the privilege of holding up an entire community by the collection of a toll as high as this. Had this project been handled directly by a state body similar to the Victorian Closer Settlements Board, it could have been reclaimed at lower cost in the first place and could have been sold to actual settlers at a reasonable value of say half what is now being charged, leaving the state reclamation fund a handsome profit and at the same time securing contented and satisfied settlers to fill up the project in a much shorter time.

But the state must go farther than this. It must place robbery in the sale of land in the same category with bank, highway, or train robbery. It is indeed more detrimental to the community than any of these. Most states have already enacted laws against this type of exploitation. But up to the present time, the unprincipled promoter has usually found some method of evasion, and has left his baneful mark upon the community in spite of state vigilance.

Credit by Government Aid

The third essential of successful colonization is the provision of credit upon terms which the settler can afford to pay without crippling the progress of the community. In this respect a long deferred step in the right direction has been accomplished by the Federal Farm Loan Act. But those of us who are grappling with the problems of land settlement in the far Northwest realize that this is only a first step. We feel that it will accomplish comparatively little towards filling our great unsettled areas with prosperous homes. This is a field for state activity or joint effort between the state and federal governments.

The State of Washington is introducing a bill providing that counties can take over lands, improve them, and allow the purchasing settler a long period of years in which to pay for them. To my mind this bill is not likely to prove more than moderately efficient. It is a matter which concerns the welfare of the whole state, and the larger the scale on which the land settlement business is carried on, the more economically it can be managed. This is true of all types of reclamation from the diking of our coast districts to keep out the Pacific, to the clearing of our large areas of cut-over timber lands.

The State of Oregon has passed a rural credits bill which comes nearer to being on a par with the acts that have been transforming Australia for almost a quarter of a century than anything found in the United States. But it does not go far enough and will accomplish very little that could not be attained by the Federal Farm Loan Act. There are those of us who hope that this bill can be amended, so as to make it possible for any man of average thrift and industry to become the possessor of a farm home of his own.

Selection of Risks

Nothing could be greater folly than to extend government credit to every Tom, Dick and Harry who applies for assistance in obtaining a farm. It is just as foolish to suppose that all men who so desire can make successful farmers as it is to imagine that all who wish to play the piano can create harmonious sound. The board or commission in charge of land settlement should have sufficient experience back of it to be able to determine who among the applicants are most likely to succeed as farmers. Take this pamphlet, for example, with its title page inscribed, "From the Slavish Work of the Office and Factories to the Independent Life of the Farmer." There have been thousands of rude awakenings among men past middle life, who have been enticed to try the "Independent Life of the Farmer," when they have found themselves confronted with the heartbreaking realities of life on western unimproved lands. In Denmark the applicant for a small holding must show by his credentials that he is fitted to undertake the management and work upon the farm home which he desires to win.

Instruction to Settlers

But to provide accurate information on the productive value of lands and the financial assistance enabling the settler to get a fair start, is not enough to insure success. The further difficulty arises from the character of the lands to be settled. You cannot expect a new comer from the old world or from one of the Eastern or Middle Western states to come out and settle any one of the classes of land we have enumerated, without pretty definite instruction on questions of soils to be tilled, the crops adapted to them, drainage and irrigation problems and methods of cultivation. This type of instruction is being taken care of to some extent by our county agriculturists where these have been established. The state and federal governments should see to it that no county which is being developed as a state or federal drainage or irrigation project is without guidance. There should be not only the expert in irrigation engineering, but also the county agriculturist who is an authority in the production of crops under a system which is altogether foreign to most new settlers.

Scientific Marketing

Practically all of our new settlements are established for the purpose of carrying on commercial agriculture. The farmer must live largely by the receipts from the products which he grows and sells. The problems of marketing are usually more difficult in a new settlement where the regular agencies have not yet been developed. Hence it is necessary that the newly formed settlements be given every possible assistance in choosing their crops and grading, standardizing and marketing their products. In some of our newly settled irrigated districts in the Northwest the county agriculturists have been men capable of leadership in the organization of marketing associations, and have also assisted the farmers in their efforts to specialize in commodities for which there is a ready sale. Some states, too, either through their agricultural colleges, or through specially established departments of markets, are rendering valuable assistance to the farmers of the state in the marketing of their crops.

Centralized Authority

Finally, in each of the Northwestern states the land settlement activity should be centralized in some body corresponding to the Closer Settlements Board of the Australian states and this board should be made responsible for the censorship of all literature sent out on the different settlement projects of the state. They should also act as an impartial body through whom any prospective settler in any part of the world can obtain reliable information as to where he could find a location suited to his particular inclination, training and financial condition. This land settlement board should compile lists of farms for sale and the prices at which they are held. It should secure dependable information on the character and productivity of the soils; and, in short, it should constitute a bureau of dependable information through which prospective settlers may be fully informed; and through which the number of misfits in our rural communities may be reduced to a minimum. For the best results, the board should have security of office for a term of years, and its work should be as completely divorced from politics as possible. It should be given powers sufficiently broad to enable it to put into effect a settlement policy adapted to each of the types of idle land found in the Northwest.

A Penalty on The Holder of Idle Land

But when all this has been accomplished we still have the problem of our large holdings imperfectly cultivated, and held out of production at prices which no one can afford to pay. In a section like the Willamette valley, for example, this is our most serious problem. We have there a valley 150 miles long and averaging 60 miles in width, that for fertility, beauty and climatic desirability, is unequalled anywhere on the face of the earth. Yet no one can pass through it without being bitterly disappointed at its general backwardness, and large stretches of waste land.

Little wonder that Oregon has been made the battle ground for the Henry George theory of single tax. While I have no sympathy with single tax as it is promulgated by the leaders of our Oregon movement, I recognize that something must be done to wipe out the disgrace of our fertile yet idle lands. Whether it is to be a waste land tax, or a progressive land tax based on area, or single tax itself, I cannot say. But this problem, which, while it is more acute in Oregon than elsewhere, is common to the other Northwestern states, has got to be solved before we can come into the heritage which our great undeveloped agricultural resources should warrant us in expecting; and it would appear that any solution to be effective must penalize the holding of large areas of productive land in a nonproductive condition.

Let us then see how these policies should work out under the land settlement conditions of our Pacific Northwest.

Settlement of Logged-off Land

One of the most serious land settlement problems of the Pacific slope is presented by what are known as logged-off lands. The term "logged-off" lands is applied to areas from which saleable timber has been removed, to burnt-over land, and in general, to all areas covered with timber products for which there is no market. It has been estimated that we have on the Pacific slope 23,000,000 acres which would make the best of agricultural land if it were only cleared and prepared for cultivation, and that not less than 6,000,000 acres of this area are already in the condition of logged-off land. It is estimated that over 400 square miles are being added to this area per year by the lumber industry, and an equal acreage through forest fires. Other sections of the United States have also large areas in this condition. In its present condition most of this land is absolutely useless.

Most of this land is quite fertile and requires only clearing up to bring it into production. At present it is lying an absolute waste bearing a thick growth of underbrush which it has been estimated adds $4 to $6 a year to the cost of clearing.

At the present time the disposal of the lands is left to the promoter who buys them from the timberman for perhaps $5 an acre. He gets out attractive prospectuses showing farm homes on similar soils, dwelling at length on the fertility of the soil, the equable climate, and the crops that could be grown. He sells the lands in small tracts to the innocent newcomers at anywhere from $40 to $150 an acre in the rough. The man and his family beat out a few years of their lives grappling with the enormous growth of stumps and brush that has to be cleared, and usually sell out their possessions for a trifle to go elsewhere and begin life all over again.

How to Improve Methods

Now suppose we had an arrangement with the lumber companies whereby the state took possession of those logged-off lands immediately upon the removal of the merchantable timber. A survey should follow the logging camp and all lands not suited to agriculture should be set aside for reforestation.

The lands adapted to agriculture could be burnt over at the proper time and a pasture mixture sown in the ashes. This would convert them immediately into valuable pasture lands which could probably be rented to stock owners at prices which would yield the state interest on its investment. The lands could be divided up into 40 to 80 acre tracts and enough of each tract cleared by the state to give the settler a crop area from the start. The state should then sell the farms to farmers whose credentials were acceptable to the land board and who were ready to invest a proportion, say a minimum of 25 per cent of the value of the land, in livestock and equipment. The settler should be allowed to pay off this indebtedness to the state with low rates of interest in amortization payments extending over a long period of years. With this pasture range, and say 20 acres cleared and under cultivation, the settler could build up for himself a good farm home within a comparatively short time, and our wilderness wastes would soon be transformed into prosperous rural communities.

Under government control and supervision the clearing could be done on a large scale with specially constructed machinery and with powder either bought in large quantities or manufactured in a state plant. A special arrangement could be made whereby the roads and bridges constructed by the lumber companies could be so directed as to form the first highways of the settlement. The burning squad could follow the logger, doing the work scientifically and at the right time, thus saving all the expense and effort which the accumulated growth of underbrush makes necessary. The timber interests, I have been assured, would gladly coöperate in a policy of this sort. Every farm home established in this way would mean an added market for lumber free from long, expensive freight hauls. Every field cultivated would mean cheaper and more wholesome food for the men in the mills and logging camps. In fact there is no good reason why all classes of citizens should not unite in a great movement to wipe out the disgrace of this enormous waste of our most valuable resource and at the same time reduce the surplus labor which creates our annual unemployed problem in all Pacific coast cities.

Under a system of state credit such as we have seen exists in Victoria, the settler would pay for his home while clearing up a part each year of his pasture land and finally emerge an independent holder free of debt. Under present methods we are getting nowhere. We are attracting citizens through misrepresentation, to a life which in its hardship and privation is a disgrace to our civilization. Instead of a desolate and useless waste, we ought to have upon our logged-off land areas the garden of this Northwest country.

Dealing With Arid Lands Problem

In a similar manner the other classes of unsettled lands should be dealt with. Arid lands should be irrigated only as there is an actual need for their settlement and with careful estimates of the character and productivity of the land as well as of the cost of constructing irrigation works and operating the system before the work of construction is undertaken. Wet and overflowed lands should also be reclaimed as state or state and national projects and should be settled by men who are given a fair chance to succeed at their chosen callings. At the same time our splendid areas of land which is cleared but only partly utilized should in some manner be forced into productivity.

The keynote to the policy here advocated is social control. We now have government regulation of railroads, telegraph lines, and other semi-public utilities. It is my conviction that there is no utility in America affected with a greater public interest than the productive lands within our borders. It should be the purpose of our Nation and of every commonwealth to see to it that our agricultural resources are utilized to the fullest extent possible. Reactionary forces will cry paternalism, socialism, and hurl other damning epithets calculated to retard the movement. But in the end it will all be in vain.

This program is as far as possible removed from socialism. It not only calculates the bringing of the fertile lands in the hands of as large a number of users as possible, but insists on giving them the fullest sense of ownership in their possession of the land they till. I do not care how expensive land becomes if it is only thoroughly utilized by as large a population as it will accommodate. We find dairy farms in Holland and Switzerland that are worth $500 or $600 an acre. The farms are small and the population well distributed. You cannot find more loyal people or more conservative, yet progressive governments, anywhere in the world than are to be found in these small countries. Denmark is another illustration; Ireland, New Zealand, and the Australian states are still others. They have all reached the stage where the peopling of the soil by a progressive, thrifty, prosperous rural population has become a national policy scientifically promoted under government supervision.

SUPERVISING COMMERCIAL COLONIZATION

Max Loeb*

There is probably no business which has been freer from governmental regulation than the sale of farms and farmlands. This business has been allowed in a very large manner to take its own sweet way without let or hindrance from federal or state government. There are, of course, some exceptions, such as the Kansas Blue Sky Law, which was later declared unconstitutional.

There are still in this country large amounts of cheap, unimproved lands, awaiting the coming of the settler who is to make the present aridity bloom and blossom like the rose. In the northern states of Michigan, Minnesota and Wisconsin, there are at least 20,000,000 acres of land now covered with second growth timber, all of which will some day come under cultivation—a condition of affairs in which both states and United States governments could aid actively if they were so minded.

In addition, in the Dakotas and in Montana there are large stretches of prairie where the human species is almost a curiosity. Other sections are very sparsely settled.

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Commercial Colonization Often Stupid

The history of commercial colonization in this country is one of almost criminal stupidity. Many colonies have been attempted, most of them to meet with utter failure. Often the colonists have gone on the land utterly unprepared, without adequate capital, and as a result have left after a few short months of heartbreaking experience, benefiting neither themselves nor the locality. Even the sellers of the land did not benefit, as the bad reports which the ill-fated colonists carried back to their friends in the cities was sufficient to give the locality a black eye for years to come.

It is always easy to criticise existing methods. It is not so easy to offer constructive suggestions which will be of practical benefit in regulating the farmland business in the United States. State immigration commissioners and bureaus have done good work in giving the would-be-farmer practical advice as to the amount of money needed and as to the best way to proceed. Unfortunately, the circulation of these documents is extremely limited, and often fails to reach the very ones who are most in need of accurate and helpful information.

When it is a question of purchasing an improved farm, it is not so dangerous to trust the judgment of the individual. In the first place, the purchaser of such a farm generally is a man of some substance. The possession of $1,000 and upwards is, as a rule, an indication of some intelligence. It is not so difficult to make an estimate of the value of farm buildings, and conversation with the neighbors soon gives the prospective purchaser an idea of the fertility, and cash value of the farm's product. Information concerning soils can, in almost all states, be secured from the state capitol, at least, so far as the general section is concerned, and detailed information concerning the particular farm is usually available in the neighborhood.

This is not true of unimproved sections, either in the prairie or out over land districts.

Make Geological Surveys Available To Settlers

This leads us to Suggestion Number 1, which, in the opinion of the writer, would make impossible the misrepresentation concerning soils, often existing, and the inaccuracy which is so often present, even when there is no attempt at misrepresentation. Each state makes a geological survey of the land within its borders. The national government also has a large and well equipped soil survey staff. Why should not the work of these geological bureaus be carried further and each individual section of land or quarter section, if you please, given a definite soil certificate of character? Soils could be easily divided into classes. A party desiring to buy unimproved land is generally without very much money and without full information. If the state would say to him, "If you buy land in Section 2, Township so and so, Range so and so, you are buying land whose soil is of Grade A, B, or C," and then go on into detail as to what such soil consists of, what its merits are, what its demerits, and how best it can be handled, it would perform a highly useful service.

In many sections of the country, soils vary in character greatly. Very rarely do you find a flat uniformity. A small charge could be made for this—say 25 cents—which would come very near covering the increased cost. This would obviate any misunderstanding. A state law could make it necessary for any person or firm selling land to furnish a soil certificate issued by the state, giving the details of the soil. Very soon purchasers of land will become accustomed to the presence of the certificate, and would insist upon getting same when they bought the land. The law could provide that in the Warranty Deed, after the legal description, the soil description (i. e. according to the state classification) be named.

Of course, the question immediately arises: What constitutes an improved farm as distinguished from an unimproved piece of land? This distinction, however, is not difficult to determine. An arbitrary rule could be laid down that an improved farm is one on which a house and barn, costing not less than $250 together, has been erected, and on which at least $250 worth of other improvement has been made. In cases of doubt, the state immigration commissioner should be given authority to determine whether or not the improvements amount to $500.

The soil certificates should apply also to improved farms, although in the case of improved farms the necessity is not so great.

Given such a system, each tract of land in the state would have a certain character of soil. The requirement of such a certificate would also enable the state land commissioner to get in touch with each purchaser and to place the buyer in touch with an authority who would, without self-interest, advise him as to the manner of procedure, and how to spend his money with the end of getting the best results.

Requirements For Northern Settlers

The fate of the settler on unimproved land, whether it be in the unimproved sections of the North or in the prairies of the West, is subject to great perils, unless there be local coöperation. To take a concrete case—the writer is most familiar with Northern and North Central Wisconsin, where he has been engaged in selling farms and farmlands for the last 10 years. A settler going on cut-over land must have at least three elements in his favor.

> First, there must be a market for his wood products. This is the pulpwood, cordwood, kilnwood, bark, etc.
>
> Second, he must be able to purchase cows. (At least three cows are necessary for the barest livelihood.)
>
> Third, the settler should be able to get on credit from $100 to $200 worth of building materials, so that he can erect a habitation for his family to live in.

Unless the colonization company either has made arrangements for the purchase of wood products and the sale of cows, etc., on credit or has insisted upon the purchaser having enough cash himself to purchase cows and put up rude buildings, it should not be allowed to make the sale. A sale to a man who has $50 or $100 and who goes on a piece of unimproved land expecting to make a success is almost doomed to failure. How can the man make good? As a general rule the man who purchases unimproved land only has a small amount of cash.

How To Provide Primary Needs

Two ways are open to provide these facilities for the settler, both of which can be conducted so that there will be no loss or risk. One is for the county to itself sell to the settler the cows. This can be done without risk by taking security on the stock and providing that the purchaser shall pay one-half of his monthly cream check to the seller. In this way the debt is gradually amortized and at the end of a year or thereabouts the cows are the property of the settler, free from debt. Insurance can be taken on the stock to prevent loss in case of death.

The facility of operation which is present in the sale of livestock does not exist in the sale of material and the county could hardly be expected to go into this business, although it would be perfectly secured if it insisted upon the money being expended for buildings and supervised its expenditure.

There is, however, a voluntary method, which, in the opinion of the writer, is superior to county aid. It is this: In counties where there is a large quantity of unimproved land, voluntary associations of farmers could be formed who would provide the new settlers with the cows and other materials, including even a team of horses and the few tools which are necessary to the beginner.

Most farmers are interested, as a matter of self-interest, in the development of the counties in which their own farms or lands are located. New settlers make increased values. Every new settler helps the value of the surrounding land. Coöperative associations of farmers could sell to the new settler his cows and material for buildings, a team of horses and tools. These farmers, representing the prosperous and well established farmers of the community, could in turn borrow the money from the county, or the land bank, giving as security their own note and the security which they took from the new settler.

If the farm journals would urge this plan of coöperative assistance, very soon such coöperative associations would spring up in the Northwest, aiding greatly the development of the locality.

Wisconsin now has a system of making loans for improvement of raw land and ditching of low land, but the procedure is so imperfectly understood and the law is so cumbersome in operation that in only a few cases has any advantage been taken of the existing statute.

Coöperation A Valuable Assistance

Coöperative associations could exist extra-legally; that is, without any aid from the state laws to the incoming settler. As far as a market for wood products is concerned, this is a matter of efficient local organization. A coöperative association could, through one of its officers, inform the settler as to the proper time to ship and names of purchasers for wood products. Or, the county organization could take the wood products from the settler and themselves dispose of them.

In the prairie states of the Dakotas and Montana similar difficulties could be overcome in the same way. The farmers are now not making nearly enough use of the coöperative principle. In Wisconsin and Minnesota they complain of the slow development of unimproved lands, but do nothing practical to accelerate that development. The new farm credits bill, while of great help to the solvent farmers, does little to relieve the difficulties of the insolvent farmer. The average purchaser of unimproved land is generally far from what might be called in a condition of solvency.

The newcomer can not get credit at the local bank. Nor should it be expected of the bank to loan money on such long time as is necessary in the case of a newcomer. Credit associations can be formed, however, as suggested hitherto, which will perform the functions of a bank. The county organization, which would extend the aid to the new settler, should itself have power to go to the farmland banks and make loans. Take 20 farmers in an association which is making loans aggregating, say, $10,000 to the new settler. The note of these 20 farmers, secured by the security which they will take from the new settlers, should be good at the farmland bank and indeed, there is no risk in such a loan.

Controlling The Advertising Of Farmlands

This leads me to a third suggestion, equally vital and necessary. Statutes should govern closely the advertising of farmlands. Exceptional crop yields should be given as exceptional crop yields and not stated as the average yield. The enthusiasm of the salesman often leads to extravagant statements. Laws defining what is illegitimate and what is legitimate in farmland advertising will be of great value to the legitimate concern selling farms. Each county should be encouraged to get out literature of its own and compel the use of its literature by every concern in selling farmlands in the territory.

Frauds in the selling of land are no longer a frequent occurrence, although some have been perpetrated within the last 12 months. The Kansas Blue Sky Law has some valuable suggestions in this regard. There is no reason why a land company should not be forced to satisfy the state authorities that its title is a good one before proceeding with the sale. Also the state should be satisfied that the company is of sufficient financial strength to carry out contracts into which it enters.

Some of the states have enacted laws by which land clearing machines are rented to farmers at very reasonable rates, the machines being owned and operated by the state. The use of this plan should be extended.

Wisconsin has a system (and Wisconsin, it may be said in passing, has perhaps gone farther to protect the farmers than any other state) which provides for an agricultural adviser whose salary and expenses are paid by the state. He has his habitat in the county seat of each of the northern counties, and gives his advice and assistance free of charge. His articles on farm subjects are gratefully received by the local papers and are widely read by the farmers.

What Organizations Are Doing For Settlers

Various projects have been launched, such as the National-Forward-To-The-Land-League of New York City, which proposes to make loans of $2,500 to would-be-farmers. Personally, the writer thinks this is too ambitious a project. At best only a small number can be helped, while the methods named above can be of assistance and practical help to thousands of farmers.

The International Harvester Company sells its implements on long terms to the farmers in the Dakotas and other states, taking security therefor. If the International Harvester Company can do this and make a profit, why can not local organizations, not operating for profit, and with far less expense in collection, sell cattle and building material and horses to the new settler?

The Crosser Bill, which provides for a federal farm colonization board, and provides government aid for improvement projects, seems to me to go to the heart of the matter—to be a step in the right direction. The government has given great aid to irrigation projects in the far West. It has given practically no aid to the problem of improving the 20,000,000 acres of cut-over land in Wisconsin, Michigan and Minnesota and the 30,000,000 acres or more of undeveloped prairies in the Dakotas and Montana.

Immigration and Land Settlement

When this war is over, it is a question of course, whether we will have increased immigration or whether the able-bodied citizens of Europe will be kept at home. But it is reasonable to suppose that within the five years following the war, there will be a considerable trend toward this country. How shall these immigrants be kept from settling in the congested cities? If the government gives to them a real opportunity on the unimproved lands, the prospect of going to the country will be rendered more attractive and the probabilities of settling them there greatly increased. Our homestead laws are efficient and thorough going, but until the settler can expect from the government a substantial measure of practical assistance—until he is given opportunity to purchase stock, tools, seed, etc., on terms which he may reasonably be expected to meet, homesteading will not be a satisfying success.

It may be said that the land dealers are interested in the legislation suggested above and that it will help them to dispose of their lands. Possibly this is true, but it will also help the individual land owner to sell his lands. Furthermore if you throw about the sale of land the proper safeguards as suggested above so that the interests of the purchaser are protected, any advantage which may accrue to him is a legitimate one. Legislation such as that suggested above will put out of business the illegitimate land concern which thrives on credulity and gullibility. It will make misrepresentation not only unprofitable, but highly dangerous. If coöperative associations are formed, there is nothing to prevent such a coöperative association from selling lands itself and thus entering into competition with the commercial concern engaged in the sale of land for profit.

The initial point of protection—when the buyer comes into possession of the farm, should not be neglected. Thousands of foreigners from the cities go into Upper Wisconsin, into Minnesota and into Upper Michigan every year. A few stick. Many return who, if they were given help when it was needed, would now be prosperous farmers. Thousands of acres in the Dakotas are neglected and untilled because the buyer will not go to these districts barehanded and because he knows of no way in which to get assistance when he arrives.

It may be said in criticism that the above is entirely on the assumption that the land buyer is without money. This objection is without validity. The buyer of unimproved land has often a few hundred dollars. By the time he has paid the freight on his carload of goods, has paid the fare for himself and family, and has laid in a stock of groceries for a year (a highly necessary precaution on unimproved land) his little stock of capital is well nigh exhausted, and you have a discouraged farmer with no outlook ahead, ready to give up the ghost and go back to the city. To save this very useful rural citizen is well worthy of the attention of our commonwealths.

I am not so familiar with conditions in the South, where there are also vast areas of unimproved land, but it may safely be said that similar conditions exist there and that similar methods would prove efficacious.

Our area of unimproved land is a tremendous one. If only a fraction of this unimproved area is put under cultivation, by attracting the man to the land and giving him a chance to make good there, the problem of the high cost of living is in a fair way of successful solution.

IMMIGRATION AND THE LAND QUESTION

Frederick C. Howe*

When I first began to prepare an address for today I undertook to set forth the problem of the immigrant in a rather conventional way, and discuss the purposes to which he is subject, the experiences which he has in the city, the personal and group difficulties under which he labors. I was treating the immigration problem as though it were a separate and detached problem; as though out first consideration should be for the immigrant to see what could be done for him, to see how we could better his lot as he came into this country, to see what could be done for a reversal of our negative, individualistic, devil-may-care policy of letting the immigrant take care of himself with whatever consequences to us and to him as well.

But the more I got into and studied the subject the more it seemed that that was wholly inadequate. The immigration problem is something more than an immigration problem. It is a national problem. It is a problem of those already here as well as those who are coming constantly to us, and any problem or any solution of the immigration problem must of necessity be a solution of our own problems as well; for the things that confront him industrially, economically, confront those of our own stock in the cities and in the country districts. So I have been forced to consider this subject of immigration and the land in its broader aspects of the people and the land of those already here as well as those who are daily coming to us.

I am further convinced that the whole immigration problem, or the immigration problem primarily, is an economic problem instead of being personal, religious, esthetic. It is primarily economic. It solved itself as long as this country was open to all, as long as 160 acres could be had for the asking, as it was when I was in school. Immigration then took care of itself and it rolled westward and westward until it broke on the Pacific coast. And then the land was gone; and then it was appropriated.

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* Frederick C. Howe is a prominent author, lecturer and social worker of New York City. He is now serving as United States commissioner of immigration at Ellis Island, New York.

During the last two years at Ellis Island I have been studying what becomes of the immigrant who comes through that port, the largest portal the world has ever known. Through it in ordinary times a million people come each year. That number has fallen off materially since the outbreak of the war, until today it is 250,000. Last year it was approximately 300,000. Immigration, in fact, has ceased; for the ebb and the flow is almost equal. But what became of the million odd who came through that port? Where did they go? Did they follow their natural instincts, did they go to the kind of places they came from in Central Europe and Italy and Northern Italy?

Where The Immigrants Settled

An examination of the statistics of the location of immigrants show that they do not; that they are driven back in the cities, into the mining districts, into the industrial sections, not because they wanted to go there, but because the land has been enclosed. A wall has been erected around the natural resources of America, and the immigrant has been compelled to go to the packing houses and the mines and the industries and stand outside of the door and keep down the wages of those already in; because it is the man without a job who keeps down the wages of the man who has a job, and it is the fear of the man who goes into the factory each morning when he sees men lined up ready to take his job away from him that keeps his daily wage down. That is another aspect of the immigration problem which makes it a national problem; and that is the aspect which has caused labor unions to organize labor for the restriction of immigration. Just as organized labor is opposing immigration, so on the other hand you will find the manufacturers, the employers, the mine owners, urging that the door be kept wide open. Not because they love the immigrant, not at all. They want the cheap labor; they want to break up antagonism; they want the man outside of the door to keep down the wages of the man inside the door. Those are the economic forces again—on the one side seeking for immigration, on the other protesting against immigration.

During the last 20 years of this new immigration that has come to us—this immigration from the south of Europe—between 75 and 80 per cent of it has settled in that part of the country to the east of the Mississippi and to the north of the Ohio. It has been driven, as I said, into the industrial regions. And 56 per cent of our foreign born have been huddled and congested into the industrial districts until almost all of our larger cities contain from 60 to 80 per cent of foreign born people, or those immediately descended from persons of foreign birth. In Chicago it is between 70 and 80 per cent; in New York it is 80 per cent; in Boston it is between 70 and 80 per cent; in Cleveland, Pittsburg, in other cities, they have become cities of people of foreign birth. They do not own their homes they live in groups; they do not acquire our language; they are an indigestible mass and only the second generation gets in contact with the life of our great institutions.

Why Immigrants Return

Every year approximately 300,000 of them go back to Europe, partly because they do not like the country to which they have come, partly, because they have been mistreated in the country to which they come, not by the government but by the employers who have broken them up into bunches and used them as strike breakers. Down in Pittsburg a short time ago there was reported to me one of the largest firms there that had a sign over its employment office, "No Americans need apply". A short time ago we gathered together in response to the request of a big steel manufacturer 180 men in our employment service. The boss came down and looked them over and out of that 180 he selected 13 and they were of 13 different nationalities; and when our inspector asked him why, after all that labor, he did not take all those men he admitted: "Well, if we break them up bad enough they can't unionize; they don't give us trouble." They are more obedient to orders than they would be if they were organized as a group, organized in their demand and able to defend themselves.

Such are the conditions that are driving down in ordinary times the standard of living in our cities; long hours of labor, making it impossible for the tired laborer to take advantage of the night school or the opportunities offered to hi
a man who has worked 10 or 12 hours a day in the steel mills is too tired to go to school at night. If your problem of immigration is not a problem of kindness, it is a problem of justice; and until you approach it in that way as a governmental way we won't get very far.

And that is another reason why immigration is a national problem and cannot be treated as an isolated problem. Just as in the beginning immigration was a land problem, so immigration is a land problem today; you can't dissociate the two ideas. Why, this country, measured by the standards of Europe, could care for 10 times its present population. A billion people could live here in comfort if the thought of the Nation was put on the subject of people, of humanity, of the fair distribution of wealth as it has been on the tariff on property and even on the building of battleships.

America Can Solve Her Problem

We can work out the social problem. Little Denmark has done it. Germany has made an approach to it. Switzerland has done far more than we have. So has Western Canada, while Australia leads the van. But we in America have argued up to the present day that the only way we could work out our salvation was to give away everything we had, to get rid of it as quickly as possible; and today we are trying to get rid of our water power, which is the last remaining asset of the Nation. We gave away our public domain to the pacific railroads, and they in turn gave it to their friends, until today out of 500,000,000 acres 200,000,000 of it is owned in great estates. Those are the figures; 10,000 acre tracts in California; 1,000,000 acre tracts in Texas; in other states instead of having homesteads we have great estates with masters on the one hand and servants on the other—for that is the inevitable condition. If you doubt that read the report of the United States Commission on Industrial Relations which made an investigation in two states—Texas and Oklahoma.

It sounds like John Stuart Mills' description of Ireland in the days of long ago. A few years ago I was in Oklahoma when it was being opened up to the world, and it looked like the world's garden spot, capable of caring for millions of people in comfort and well being. And the conditions of Oklahoma and Texas, as you know, are not different from Iowa, California and other parts of the country. But now, we have there the two great, to me great, agricultural problems, land monopoly on the one hand and the inevitable concomitant for tenancy on the other. Yet if you look over Europe and take the teachings of history and see what that condition did to Ireland, you will see that it impoverished the race and drove a half of them to this country; it drove the Scotch people into the sea and they came to America to escape it.

Today in England four people out of five live in cities, and the other fifth live in conditions not so good as those described. The same conditions made Germany what she is, a country of autocracy; landlordism lies back of the present war, because it is the aristocrats who own the great estates that form the warring classes, while people that own the little bits of land like the Serbs and Belgians are people of peace. Wherever you find monopoly there you find autocracy and reaction; wherever you find home ownership there you find democracy, liberty and love of country and an insistence that the country shall represent people rather than property.

I consider this question of the relation of the people to the land, of getting back to the land, the proper relation to this primal source of all wealth as a thing that God gave to all of us—the land of the Nation—as the primary problem before the United States. While I do not ordinarily make any appeal to any higher law, or even a law of nature, I can not conceive that it is true that God should have given the land of America, and the resources of America, to be speculated in, to be owned by men who keep them out of use while other men nearby starve. I can not believe that those who came first, who happened to get here before 1880 should own the land in exlusion of those who were born hereafter. I can not conceive that God had any such organization in mind, least of all do I believe that He intended that one farmer should own 1,000,000 or 2,000,000 acres in that great rich state of California or that Texas should be divided as it is, or any other state, into land held for speculation rather than for the production of wealth.

What Shall We Do?

What are we going to do about it? The farmer wants labor; the country wants food. The high cost of living is some way or other related to the fact that people are keeping off of the land; that labor is not given a chance with nature's resources. And I know of no fundamental reform that will ever get at that problem, that will ever touch it, that will ever smash land monopoly, that will ever draw people to the land in a natural, ordinary way except that proposal of taxing land until those who own it use it or permit some one else to use it, until we stop taxing the things people want, such as labor, produce, farm buildings, horses, machinery and the things we all want, and put the tax on the dog in the manger, and compel him to use or let some one else use it. I can not believe that God intended that some people should live without labor nor can I believe that God intended that some men should live and work for another person. And that is what land monopoly means today, just as it meant in the seventeenth century.

Land Monopoly a General Problem

It is not a western problem; it is an eastern problem as well. I live 40 miles from New York, and within the last year I have been trying to find a place to build a house 40 miles from New York. Land is held there at $3,000, or $4,000, and even $5,000 per acre on both sides of the Hudson. Great estates covering townships are held out of use and New York hungry for food! That is an abnormal condition, and I know of no way of making those who have appropriated the land in advance of its use to use it except the proposal of Lloyd George in England to build a fire behind the landlord to compel him, as the dog in the manger, to get out of the manger. The single tax, it seems to me, will do that; it will automatically draw men from the cities and suck them to the land the same as it did my father and the same as it did my grandfather, and my great-grandfather, who periodically left one spot to go to another land where the land was cheap. Hundreds of thousands are going over into Canada because land is cheap there. They are selling land, Mr. Mead tells me, out in California to immigrants which they bought for $7 an acre at $200 an acre. People love the land; they want the land, and it is proven by the fact that they pay more than they can afford to pay and then go bankrupt and are driven back into the cities, the same as they have in other countries where the same conditions that have prevailed are to be found.

Governmental Colonization a Solution

Next to that solution there is a second solution which is not nearly so good; it will not get so far; it is not justice; it is something better than charity; it is something better than philanthropy, and it will help the production of wealth, and will tend to end the congestion of all cities. That is the policy of colonization, governmental colonization, not private colonization; for I have given up all hope of private individuals being able to solve the agricultural problem, the land problem. It has got to be approached by the state and by the nation. For 50 years we have relied on that something that we call individual initiative, and individual initiative now owns things and those who were born now have to work for them or starve, and that is the condition that individual initiative has brought upon us. So the next step is for the states to step in, and other nations have paved the way for indicating what can be done.

There is a bill now before Congress known as the Crosser Bill which includes within it almost all of the elements of a colonization policy. It looks to the acquisition of 1,000, or 2,000, or 10,000 acres of land available for farm colonies. The Crosser Bill, I believe, intends that the government shall hold the title of the land; it shall never deed it away. The individual shall be given a ready-made farm and house and barn, seeds and livestock, and he will be permitted to cultivate a certain section of this area, paying rent therefor to the government.

That is one alternative. The other alternative is just plain peasant proprietorship. Personally I think the government will have to go to that length of providing ready-made-farms, barns, and houses. In addition to that we will have to develop an agricultural educational policy; have somebody from the department in these colonies instructing what to plant and how to plant it, and, third, I think, they will have to live close together so they will have some companionship and some kind of life other than the isolation of the farm. In other words, we will have to apply the same kind of science to agriculture as we do to business. And one reason why farming is in its present situation is that the manufacturing class did not care very much about agriculture, and the manufacturing class has occupied the whole attention of Congress during the last 50 years while agriculture has gotten along the best it could.

Coöperation an Aid to Land Settlement

There must be coöperative marketing, so that the farmer will be protected from exploitation at both ends. Now, our agriculture must be organized in some such scientific way.

And little Denmark can offer us an object lesson of what can be done for farming. Denmark is the world's agricultural experiment station. They have carried it so far that there is very little of what we call poverty in Denmark, or what we call misery, at least. Some years ago I was going through the city of Copenhagen with a student from the University. I asked him to take me to the tenement district, and as I went through what he called the tenement districts all the people seemed comfortable, well fed, well clothed. They were laughing and chatting. Their shops were just like the shops I was familiar with. And he insisted that that was the slum district of Copenhagen, and when I asked him why there was not the kind of slums I had seen in England, or Berlin, or even New York or Chicago, he said in substance, "We have worked out a land policy in Denmark which makes it easy for the man to get out of the city onto the farm so that every man who is an employe, a wage worker, knows that if he wants to, and he accumulates a little money he can get away from being owned by somebody else, and can own himself. The government some 15 years ago, appropriated several million dollars, ten million dollars, I think, and it said, 'We will advance $9 against $1 to any man who has proved to be a farmer and who wants to go out and buy a little piece of land, 10 or 12 acres. He must be vouched for by his friends and neighbors, but the ground will be furnished him, the oversight will be furnished him and the coöperative societies will take care of all that he produces. And as a result of that and a long policy covering 75 years, today 80 per cent of the farmers in Denmark own their own farms; they are free peasant owners.''

Public Ownership of Railroads an Aid to Marketing of Farm Products

Ninety per cent own their own farms. They have split up the great holdings until almost all of that country up there, which is not as fertile as our country by any means, is the world's agricultural station. And that little nation found it had to take over the railroads because the private railroads wanted to make profit out of the farmers and they wanted the farmers to get their products to England at the lowest possible cost. A short time before I was in Copenhagen the farmers in parliament had decided that the railroads were making too much money and the farmers, controlling parliament as they do, reduced the rates of the railroads until today they are making two per cent and the officials in parliament say, ''We do not want to make money out of railroads; what we want in this country is to make money out of farming; and if the railroads break even and put the produce and butter and eggs over into England cheaper than any other country can do it we will get that market. If we can put our horses down in Germany cheaper than any other country we will get that market, and even though we run the railroads at a loss, this is an agricultural nation and we can afford to pay for it out of taxes.''

The real motive of railroad operation there is not profit, but service, and growing out of the fact that 90 per cent of the people own their little piece of land Denmark has become a real democracy, an essential democracy of business. Education is cheaper to them, and millions are spent in making the farmer cultivated as well as the farms. I have never been in a country where the farmers were so cultured as they are in

Denmark. They have that same kind of culture that a baseball fan has. And the baseball fan is one of the most interesting people in the world, because he knows his subject and does not want to talk about anything else.

The men sent out from the coöperative societies, come around twice a week to collect the eggs, and they stamp the dates as they collect them. Then they send them to nearby towns, and those nearby towns send them to Copenhagen, and they are sent to English markets and the Danish eggs bring good prices because everybody knows they are fresh. They are not owned by the cold storage people as they are over here; they are owned by the government. The government did not do it, the farmer did it, for he made the government do it for himself.

But Denmark does not interest me so much for what it has done for farming; it interests me because it has gone a long way to abolish poverty. It has shown that government can be used for people just as well as for privilege; it can be used for those who consume and those who produce just as well; it can have tariffs for trusts, monopolies, railroads and agencies. And that is something to know; it is something to know that a people can so democratize their government, can so control their government that that government will represent humanity and build for humanity and educate humanity and consider the consumer as well as the individual monopolist; and there are no millers in Denmark, either.

Break Down of Government Control

Next to the land policy I think we must have a governmental transportation and terminal policy. When I first got interested in politics it was as a lawyer in Cleveland, and I was very greatly interested in public utility commissions. I was in the state senate and aided in drafting the railroad commission of that state, and just as I was interested in the regulation of railroads and public service corporations so by chance I became interested as a lawyer in public service corporations, as attorney for them, street railroads and electric lighting companies, and water, gas companies and steam railroads. I tried to keep my mind straight all that time between my public duties and my private duties, and I believe in regulation. And yet when the Public Utilities Commission of Ohio was created this is what happened: The public utility corporation with which I was identified immediately began to receive circulars, and the first circular said, "Now, come on, let's load the public service commission of Ohio so full of immaterial things that it will never get around to regulate the material things; let's load it up with things that do not count, so that the real consumers will never get a look in." That was the attitude in that state, as I watched it in Ohio, as I watched in New York last winter. In New York when Mr. Hughes was governor the public service corporations fought to keep regulation out; they fought to prevent the passage of the public utilities laws; they used every means that public service corporations can to defeat regulations, and yet last year when the constitution was formed those same public service corporations went to Albany and tried to put the public service commission into the constitution so that the people could never get them out. Why? Well, I need not tell you. Regulatory agencies; the commissions of this country have become the bulwark of railroads or transportation companies, of street railroads, gas companies, water companies, electric ighting companies—you can not beat it, but they can control it; you can not make them serve the people, and they have in every state that I know of excepting California, and I challenge even Wisconsin! The corporations of Wisconsin have not done any good for the consumers of Wisconsin, and neither have the public service corporations, just as in Ohio, New York and all over the country, so far as I know.

First we had competition and then we had regulation. I am satisfied we have exhausted the regulation. I do not believe that individuals appointed as they are appointed, or elected as they are elected—that individuals picked out here and there —can fight today against the combined power of the railroad or transportation industries of this country. It is an impossible task. We have tried. It never did succeed. It did not succeed in Germany; it did not succeed in Switzerland; it did not succeed in Denmark. It has failed all over the world, and it is bound to fail all over this country; and so I have been driven to believe in public ownership of the railroads as the only way out.

Railroads Circulation Mediums

Well, there are other reasons, too. Some years ago I was in Berlin talking to the burgomaster of Berlin, along with 100 American businessmen, and they made this statement, with a good deal of front, "What we have come over here for, Mr. Burgomaster, is to learn how you Germans get such a magnificent business men's administration. We want a businessmen's administration of our cities in the United States." The burgomaster's eye twinkled and when he was called upon to speak he said, "I have listened with a great deal of interest to the remarks of Mr. So and So, the president of the chamber of commerce. It is a statement I have heard a great many times, that they wanted a businessmen's administration." "Well," he said, "I just read in the New York papers that the city of New York had just given away to private people the ownership and operation of the subways in New York, which earn 20 per cent. And in the same issue of the paper I noticed that New York had just taken over its ferrys, which lose money. You keep your sewers over there, which cost you money, and you give away your street railroads, which make money; you keep your parks, which you have to pay money for, and you give away your gas companies, which yield enormous dividends.

"You in America call it good business administration to give everything away that is worth anything and keep anything that is not worth anything; we in Germany consider that bad business, we keep these things, the railroads, telegraphs, the street lighting companies and street railway companies, and we make money out of them."

But, do not think that business policy over here means running these railroads to make money. No, they are run for service; they are part of the circulatory system of the human body, and you cannot have a state and have a foreign agency owning your circulatory system any more than the private individual can let out his nervous system or circulatory system to somebody else outside of him to run it for him. I heard a business man in Cleveland, a man who had grown wise, say, "Why, I believe in the public ownership of railroads. I own this big building over here. What would you think if I let some other man run the elevators and charge fares on them?

Why, he could determine all about my tenants, their service and everything else, and he could drive them all out of the buildings if he wanted to by the exorbitant rates and fares he charged.''

I think that is a perfect parallel to what we have done in this country; we have given away the railroads and almost everything else worth while and our cities have given away the street railroads and everything else that is worth while; and you see in the cities the street railroads trying to pack the people in as close as possible because they make more money out of the strap hangers hauling them a little way than they do hauling them a great way.

Why Cities Are Congested

Our cities have been built by the transportation agencies who make more money out of huddling people together than they do in giving them a chance on God's green earth. The same thing is true of the transportation agencies, it is not to the profit of the railroads to expand their lines, because the profits fall with each additional increase of investment; if they expand too widely their interest and dividends fall. If they can keep all the traffic running on one line at the highest rate of speed it increases dividends; it is to the profit and advantage of railroads to limit transportation facilities rather than to extend them.

Really, it is to the profit and advantage of the community to expand transportation facilities. I think there is an inevitable conflict between the private ownership of public functions and the public. So, my friends, it is not because I care for the money the railroads would make if they were owned by the government, it is the idea of service, it is the idea of completely changing around the point of view so that the men at the head of the railroad system will be thinking of you and will be thinking of me.

But just think what they did in Europe; the men were put at the head of the railroad systems so that as soon as they took them over they could not help it, they began to think about the people; they built lines where they were needed, and because they need them over there. They found the raw materials here and the manufacturing center here, and they said, "let's get it so you can put the raw materials to the manufacturer cheaper; we want means by which the man who ships can attach a bill of lading to South America and get his money right away." And they did it. "We want our people to travel as much as possible," they said and made their rates as low as possible. In Belgium they said, "We want to get the people out of the cities. Let us make commutation for the poor." And they made the rates 30 miles out, so that every night and every morning as you run through the Belgian cities you find train after train after train of working men leaving a little piece of land out in the country and coming into the city to work and then going out again in the evening. In Denmark they do the same thing and in Switzerland they do the same thing. They say, "It is a good thing for the people to travel," and so they give you two weeks' travel. You can travel 10 miles or 1,000 miles, one hour or every hour in a day or night, and it costs you just an ordinary small sum. The circulatory systems must be for the people and run by the state. And I do not believe we will get very far until we own our transportation agencies, and run them for the farmers, for the real producers and the consumers.

The same conditions that are found in the United States were found all over Europe. They could not harmonize the public and private interests, they were so much at war, so much at conflict; and state after state until every nation in the world except England and the United States and France own their railroads, their telegraphs and telephones and express agencies. But some people say the American people are not fit to run their own affairs. Somehow the people who say that are the people who own the things that they do not want us to own.

What Makes for Efficiency in Public Service

Are not the American people fit? Why, look at the Panama Canal. Private contractors fell down on it and the government took it over without any preparation and built a 300 mile canal without a suggestion of graft. They built a fine piece of work; they introduced hotels; they ran a railroad down there and make a profit out of the railroad. The finest spirit probably this country has ever seen is manifest among the employes of that railroad down there, and men said when they came back from there that they were not gambling at night, they were fighting over whether their section moved more stone or material today or last week than this other section, than this other section, at the lowest cost. There was the finest kind of *esprit de corps,* not because they were working for the money, but they loved the Nation and they loved the job and they put it over.

The post office is another example. See what the post office does; it sends a letter all over this country and to Mexico, not for profit but for service; it carries the rural free delivery; it carries a box for me for a few cents. The numbers of parcels carried annually is 400,000,000, and nobody doubts but what the post office service will send a secret service man to trace the loss of a letter, to trace the loss of a bit of money. That is what the post office service does in comparison to what the railroads do. One is moved by service, not by profit, and the other is moved by how much money can we make; how many securities can we issue; how can we juggle with this particular property to unite it up with some other problem?

Why American Railroading Is Unhealthy

Railroading in the United States has ceased to be railroading. If you want a story of what has happened to the transportation agencies of the United States, send for the report of the Pujo Investigating Committee, which shows that in 35 years' time 150,000 miles of railroads are owned and controlled by four banking institutions in New York, and they control almost all of the arteries in this country, so that you could not build a railroad, I could not build a railroad, a branch line could not build without the assent of all these great trunk systems owned by four banking houses who monopolize them. And they did not get them with their money, but with your money and mine welded together through the banking institutions all over the country, and sent down to New York by different depositors and kept down there until our railroads ceased to be circulatory systems. They became things that men gamble with and speculate with at your cost and mine. That is an unhealthy condition to me. It is a thing that cannot last; it is going to break down. We must overcome it and realize that we must do what other countries have done—we must do it for free democracy if for nothing else; to save our politics, if for nothing else; to save agriculture, for agriculture is primarily dependent upon getting its goods to tidewater, and cannot leave things to fight their way through monopoly all the way from Dakota to Portland, Maine, or New York.

But what is true of the transportation agencies is true of those things that are linked up with the transportation agencies, the slaughter houses, the abattoirs, the packing houses, the terminals—they are just as much part of the circulatory system of the Nation as are the railroads.

England and the United States are the only countries in the world that have private slaughter houses, private abattoirs, private packing houses. Some years ago I was going outside of Dresden and I came to what looked to me like a beautiful spotless town. I said, ''Is this a model town built by some manufacturer?'' And the driver said, ''No, this is the slaughter house, a municipal slaughter house; a town of 400.'' However, it had about four and a half million in its slaughter houses. They had just killed 6,000 head of sheep before I was there, and yet it was a clean, spotless town. The man said, ''We like to have visitors come here because the more visitors that come the cleaner and better we have to keep it.'' And the farmers frought their sheep up to the one side and the butchers came in and they were slaughtered under the most sanitary conditions. And the people came in and got their meat at cost. It was pure and clean, and the farmers got the value of their labor. Now, I know enough about it to know that that is not a condition which prevails in the United States. I know that other countries have gone through the same problems that we have gone through and have found it necessary to take over their abattoirs, their terminals, the things that enterprising middle men rake off of all the year long.

Down in New York it was recently said that out of every dollar 65 cents was taken by the middle man while the farmer got 35 cents; that eggs were being held at 85 cents which cost 25 cents for the cost of production.

Public Ownership the Next Step

So I have come to believe that our next step in marketing, our next step in immigration, our next step in a constructive program, even a preparedness program, if you want to call it that, is to end this idea that the government should do nothing except run a police force and adopt the idea that the government must do anything that is necessary to protect its people from extortion and exploitation. It must do whatever is necessary to promote those industries that need promotion. For one, I am satisfied that regulation has not only failed, but will continue to fail. I am satisfied that we cannot permit to live economic interests in our political life that are stronger than the state, and expect to have the kind of democracy that we want, any more than we could have a strong slave-owning aristocracy in the state and have the kind of nation that we want. Everything drives me to the conclusion that the government must own the railroads, the terminals, the slaughter houses, the abattoirs, those things through which agriculture, farm produce, industrial products flow to their destination; that we must control those things through ownership, not through sending a clerk around every once in a while to add up the figures of a public service corporation and then three months or three years afterwards some decision is made, and eight years afterwards the Supreme Court of the United States says, "Well, we think it is probably unconstitutional and will not stand."

And that is about all we get out of our state regulation, although I admit that we do get rather more than that out of our federal regulations; but it is because transportation is a public function that I believe it, and I do not believe any private corporation has a right to own land and use it where other people want to use it; that I believe that the only way to cure that is through the taxation of land values, putting it into use. And along with that I think the government rather than philanthropic societies must work out the problem, form colonization groups with educational recreation and the advantages that go with the cities. In other words, we must make this a public instead of a private program.

REMEDIAL ACTION FOR FARMER IMMIGRANTS

LAJOS STEINER*

About 30,000,000 immigrants have landed here since 1819. Since 1883 about 70 per cent of these new arrivals have come from Central, Eastern and Southern Europe. The bulk of these arrivals were peasants in their countries of origin, tillers of the soil. They are good farmers. The soil which they farmed in Europe has been under cultivation for over a thousand years, and is still fertile and productive. These residents are land hungry, and save every dollar that can be saved out of their wages for the purpose of purchasing land as soon as their accumulated savings will make it possible for them to do so. The ambition of the peasant immigrants is to save enough to enable them to buy a farm. They consider the status of the owner of a farm—even of a very small farm—way above that of an industrial employee. The social and financial status of a farm owner is deemed to be the most desirable one of any other status; to till the soil owned by himself, to raise cattle and poultry, grow grain, vegetables and fruit, is the cherished hope of our resident peasant immigrants. All hardships are disregarded for this cause, all their energies are expended for this end, all their visions of happiness in old age are pictures of the yearned-for farm. Peasant immigrants are characterized for their indifference for city amusements.

Immigrants As Industrial Wage Earners

Industrial employment provides work and wages in all seasons. The expansion of industries creates a demand for unskilled labor. It induces the native farmer's sons and the European peasant to quit agricultural toil and follow those who send tidings of high and steady wages. The information of immediate employment at higher wages than those obtainable at the old occupation effected the emigration from Europe, the migration from village to cities, from farms to the mills and mines. Present methods and the manner of proceedings at our industrial production have been so developed by modern technique, that the employment of unskilled laborers is possible at the construction and manufacture of all that which is produced by our diverse industrial establishments. The native farm hand and the European peasant are employed by our industries without loss of time in preparatory instructions, at wages acceptable to both, the employer and employès. Ninety-nine per cent of our resident peasant immigrants are occupied at any but farm work. Newly arrived immigrants do not engage in farm work as there is no steady employment there. The colonization on farms of this sort of new arrivals is impracticable, because they have no money to purchase farms.

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* Lajos Steiner of Chicago, himself an immigrant, is commissioner of immigration for the Union Pacific Railway lines.

The Forces That Prey on Immigrants

Legitimate banking ignored the deposits of resident peasant immigrants. The United States postal savings banks are, for all practical purposes, not available for the masses of these of our residents. Concerns operating under the name of private banks have been established at all those points, nooks and corners where peasant immigrants earn wages. The business of these ''banks'' consists of the soliciting and exporting the savings of immigrants, of the sale of steamship-tickets and notarial certification. This sort of ''banks'' monopolize the custom of and keep away the bulk of our resident immigrants from Americanization; they induce them to export their savings, and to re-migrate in time. Failures are frequent; the losses caused usually amount to 100 per cent. Recently Chicago had a veritable epidemic of private bank failures. The advertisements of these ''banks'' constitute the largest part of the income of certain foreign language newspapers. Most of these newspapers coöperate with the consular agents of the respective European governments in keeping our immigrants from becoming Americanized. They and the private banks consummate the exportation of the savings and the remigration of the fittest of immigrants. Unscrupulous dealers in farms exploit the credulous. Obviously, such dealers care only for immediate profits and disregard what becomes of the new settler on the farm. With few exceptions, immigrant farm purchasers lose their investment in land. The respective dealers keep the amounts paid to them and look after other victims, to be dealt with in like manner. Frequently the same farms are sold to three different parties within five years. The experience of immigrants in farming scares away the masses from agricultural venture.

Cash Export and Re-migration

About $300,000,000 are exported in each normal year by our resident immigrants. About 400,000 of such residents re-migrate to Europe in each normal year. Since the war re-migration has stopped, and the exportation of savings has about doubled. Low rates of European money, constant urging by the respective concerns, and the belief that it is not possible to engage successfully in American farming, result in the exportation of about $50,000,000 per month. Systematic work is carried on for having the moneyed immigrants return to the native countries immediately after the war. Thus we would lose our best immigrants, who could no more return, as Europe will need for decades to come, all able bodied males, especially the thrifty tillers of the soil with cash funds. It is reported that about 1,200,000 steamship tickets have been sold already to resident immigrants. It is said that the respective consulates are ready to summon the immigrants to report in their native villages immediately after the war under penalty of having their property confiscated, their families dispossessed, and themselves prosecuted.

Change for the Better

A change for the better could not fail to result if these land hungry, useful and thrifty people could be assisted to invest their savings in American farms so that they could thrive on farms. Make our millions of idle acres bear and grow farm produce, create wealth and contribute to public resources. The increase of production of food stuffs would soon remedy many of our ills. On farms the Americanization of these sturdy, healthy, good people would follow as a matter of course,—their descendants would become as patriotic and loyal citizens as the children of the earlier arrivals. Intelligent assistance would also result in dispelling that artificially created misconception that peasant immigrants are disliked in the United States. Peasant immigrants are ignorant of American resources and opportunities; they are unable to read our language; they cannot be expected ever to affect a change for the better. Remedial action should be initiated by the competent native Americans. The resident peasant immigrant need not be preached the beauties of farm life. He does not have to be urged. He has not to be taught farming. He does not need financial aid. From the first day he landed he has been saving with the sole view of becoming a farm owner. Our resident peasant immigrants have the desire, the ability and the cash funds. All they need is a friendly hand to guide them right. Arrangements are necessary for their colonization on farms so that it shall be possible for them to prosper on the farms. Unfortunately, while there are many influences at work to make him export his savings, to prevent him from becoming Americanized, and to have him re-migrate, with the exception of the colonization work recently inaugurated by the Union Pacific System, there is practically nothing done to counteract the harm caused by those who prey upon our immigrants.

The Remedy

There are times,—the present is such a one,—when efforts should be made for improvement. Private banks should be abolished by national legislation, as the abuses committed are interstate and international. Colonization on farms should be regulated by law and supervised by our national government, as the lands of one state are often sold to residents of another state.

At the mines, labor camps, mills and such other points where numbers of employes earn wages, branches of the United States postal savings banks should be established and maintained. An article should be incorporated in that peace-covenant which will end the war, according to which the respective European governments should be prohibited from molesting our resident immigrants.

At the time of high cost of living and the tide from country to city so valuable an asset as our resident peasant immigrant should not be wastefully squandered to our irrevocable loss. We have millions of sturdy peasant immigrants, yearning for that tillable land which is lying idle. Peasant immigrants on American farms would be of inestimable advantage not only to themselves, but to the United States also. The peasant immigrant knows how to keep the soil fertile, as his ancestors knew, who have farmed for over a thousand years and did not rob the soil of its fertility. They re-migrate to Europe solely because no systematic efforts are made to direct them upon farms in the United States and because systematic work is being conducted to keep them away from Americanization, to have them export their savings and re-migrate. This sort of settlers, unlike tenants, take an interest in preserving the fertility of the soil, improve the farm, stock and implements. As owners and taxpayers they are interested in lasting progress and welfare. Only those of them discontinue industrial employment who return to farming, but instead of departing to Europe, they should engage in American agriculture, produce food stuffs, decrease the high cost of living, furnish opportunities to tradesmen, merchants, banks, hotels, druggists, physicians, and a multitude of others to thrive in the new agricultural colonies, and aid in maintaining a sound and prosperous state.

The abolition of the exploitation practiced under the guise of private banking would end a whole series of mean and injurious abuses.

The amounts deposited by immigrants in the United States postal savings banks would be re-deposited in the legitimate American banks; the exported sums become lost altogether for American business.

Proper colonization and the success of the first colonists would attract the masses and induce them to follow the example.

The prevention of European governmental interference with our immigrants would result in their Americanization, and the permanent improvement of our national prosperity.

FINANCING THE INSOLVENT FARMER

Leonard G. Robinson*

Three years ago, while testifying before the Joint Congressional Committee on Rural Credits, I created not a little disappointment in the ranks of the sponsors of the pending rural credit bills, and not a little satisfaction in the ranks of their opponents, when I directed attention to the fact that none of the bills under consideration made the slightest provision for the insolvent farmer.

What Is An Insolvent Farmer?

An insolvent farmer is the farmer or would-be farmer who cannot give the time-honored "fifty-fifty" first real estate mortgage as security for a loan. To this class belongs the marginal farmer who cannot put his farm on a paying basis because his encumbrances have reached the limit of marketable security. To this class belongs the tenant farmer who is compelled to shift from farm to farm because he lacks the means of acquiring a farm of his own. Finally, to this class belongs the would-be farmer, that is, the farm-hungry man in the city, native as well as immigrant.

The terms solvent farmer and insolvent farmer may not be technically correct. In fact I have been taken to task for taking undue liberties with the English which, by the way, is not my mother tongue. I noticed, however, that in subsequent hearings this term was used quite freely, and that it has even been adopted by some of the more important financial publications. Be that as it may, the term serves the very useful purpose of designating the two classes of farmers around whom the recent rural credits agitation has centered, and to draw a clear line of demarcation between two distinct problems. Financing the solvent farmer is a financial problem, pure and simple. All that the solvent farmer needs is the machinery that will place him in a position to compete on equal terms with other solvent industries for the world's surplus funds. But the insolvent farmer, who has no acceptable marketable security to offer, cannot be financed on the same basis.

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* Leonard G. Robinson of New York City was for 10 years general manager of the Jewish Agricultural and Industrial Aid Society. He is a pioneer worker and thinker on rural credit problems in this country. He has accepted the presidency of the First District Federal Land Bank, of the Federal Farm Loan System, at Springfield, Massachusetts. This address was delivered to the Fourth National Conference on Marketing and Farm Credits in Chicago, December 4–9, 1916.

What Is the Problem of the Insolvent Farmer?

As a concrete illustration, take the recently enacted Federal Farm Loan Act and apply it to the average tenant farmer. Let us call him Bill Jones. Jones has farmed for many years on rented farms. By industry and good management he has succeeded in acquiring a fine stock and a fairly complete equipment of farm machinery. Jones reads in his favorite farm paper that the new rural credits law is designed to help tenant farmers become farm owners. He talks it over with his good wife, and they decide to buy the farm on which they live. They know their farm and want to make it their permanent home. It is not an expensive farm. The price is $8,000, and it is worth it.

Jones gets his neighbors together, some of whom, like himself, are tenant farmers. He opens the meeting with a few appropriate remarks, and unfolds his plans for organizing a national farm loan association. He tells them also about his plans for buying his own farm. Of course, he has no money, but he intends to borrow the needed money through the association. One of the farmers present calls attention to the fact that the most that can be borrowed under the new law is one-half of the value of the land, and that in order to buy the farm Jones will have to find at least another $4,000 somewhere else. Jones is frankly nonplussed. He scratches his head. "By George," he says, "I never thought of that."

Jones returns home crestfallen and very much disappointed. His little wife comes to the rescue. Why not write to their congressman? Jones is pleased with the idea. He writes a good strong letter, and in due course he gets his reply. The congressman is most sympathetic. Yes, 50 per cent is unfortunately the limit that can be borrowed. However, he concludes with the comforting suggestion that the local bank or the owner of the farm might possibly be induced to take a second mortgage for the balance. Jones again scratches his head, and says, "By George, I never thought of that."

But Jones has a distinct recollection of what a time he had in getting $300 from his bank a short time before. So he dismisses the bank. But the idea of the owner taking a second mortgage strikes him as rather good. Off he goes to see Squire Smith and lays the proposition before him. The squire is a friend of the Jones family. He has known Bill since he was knee high to a grasshopper. He listens sympathetically, but cannot quite see it from the same angle. Of course he will be glad to do anything he possibly can to help Bill. But a second mortgage for $4,000 is entirely out of the question. He points out to Jones that if anything should happen and the land bank should find it necessary to foreclose, his second mortgage will be clean-wiped out. Jones once more scratches his head, and says, "By George, I never thought of that."

And so it is. Those who believe that the problem of the insolvent farmer, the tenant, and the landless has been solved with the enactment of the Federal Farm Loan Act have not thought of that; or of that; or of that.

Please do not misunderstand me. This is not intended as a criticism of the farm loan act. On the contrary, it is an index of its fundamental soundness. Although far from perfect —no legislation is perfect—it is a really and remarkably effective maiden effort. What I wanted to show is that to all intents and purposes the average tenant farmer is still insolvent insofar as his ability to obtain the necessary credit to buy a farm is concerned. This, of course, is truer still of the landless man in the city. As I pointed out to the congressional committee in charge of the bill, the difficulty lies in the fact that it is not possible to devise one system of rural credits that will serve equally the solvent and the insolvent farmer. You cannot lower the solvent farmer to the level of the insolvent, nor can you hoist the insolvent to the level of the solvent farmer. Financing the solvent farmer, as I have stated, is a financial problem. But financing the marginal farmer, solving the tenancy evil and promoting the back-to-the-land movement —or by whatever name you may choose to designate the innate land hunger of the average human being—is not a financial problem at all. It is a social and political problem.

The Farm Tenant

It is not my intention to tire you with an exposition of the evils of farm tenancy and absentee landlordism. These are too obvious for argument. We all know the economic waste, the moral bankruptcy, the civic and social sterility of farm tenancy. According to the last census, 2,354,000 of the 6,000,000 farmers in the United States are tenants. This constitutes 37 per cent of our total farming population and an increase of 16 per cent over the preceding census. And yet, so far as I am aware, no serious attempt has ever been made to attack the problem rationally and comprehensively.

The argument is often put forth—chiefly by landlords—that the majority of tenants are perfectly contented with their lot. In fact they prefer to remain farm tenants. I fear that these gentlemen mistake hopeless resignation for contentment. The average tenant farmer, like the average farmer, takes his financial troubles with due Christian piety and resignation, and looks upon them as a visitation from heaven, like drouth, frost, and bugs.

Then there are those who dismiss the subject with the offhand statement that these tenant farmers are a lazy, shiftless, and good-for-nothing lot, and that it is quite useless to waste any time on them. To my mind, this very argument is sufficient to cause grave apprehension in the minds of all thinking men. Just imagine—one-third of our farming population, or about 10 per cent of our total population, hopelessly shiftless and shiftlessly hopeless. It is a situation pregnant with menacing possibilities, threatening the structure of our democracy and the very foundation of our civilization. Personally, I do not believe that there is any such proportion of shiftlessness among our farm tenantry. But assuming, for the sake of argument, that this is true, I want to say that the more shiftless, the more good-for-nothing, and the more irredeemably hopeless our tenantry is, the graver is our problem, and the more urgent is the call for a remedy. So much for farm tenancy.

What About the Farm Home Seeker?

We all know that the vast majority of our immigrants are farm born and bred. And we have often wondered at their perversity in choosing an industrial instead of agricultural career. The reason is economic.

The newcomers have not the money to start farming on their own account, and farm labor is neither steady enough nor does it hold out any other inducements to them. They accordingly dig our coal, build our roads and what not, pinching and slaving, and seeing, in their mind's eye, the little farm home approaching nearer and nearer with every heave of the shovel and every swing of the pick. Unfortunately, for the want of a little encouragement, many of them fall an easy prey to the exploiter and the land shark; while thousands of others, losing all hope of realizing their dreams in the land of their adoption, leave each year, with hundreds of millions of good American dollars to be invested in farms in their native lands at highly inflated prices. Accustomed to a higher standard of living and to a higher degree of personal liberty, many a repatriate sooner or later finds his native land with its lack of educational facilities, its enforced military service, and its burdensome taxation, more than he bargained for, and returns to God's country, minus his money, to start all over again.

Sentiment aside, it is a short-sighted policy that permits the immigrant, who becomes more and more of an asset as he accumulates money and acquires American ideals, to leave the country, when a little guidance and encouragement would transform him into one of the most stupendous productive forces of our country.

I hope you will not think I am a back-to-the-soiler. I am not. I do not believe that there is any greater virtue in making two blades of grass grow where formerly there grew one, than in building two automobiles where formerly there was but one. Besides, the automobile has been the greatest single influence in farming of all time. I am not especially interested in the reclamation of the desert, the swamp or the abandoned farm. I am more interested in the human factor engaged in the work of reclamation. I am not nearly as much interested in increased agricultural production as in the agricultural producer. I don't even care a straw about the increased cost of living—though the Lord only knows I have more than academic interest in the subject—but what interests me most are the thousands of soul-weary, land hungry human beings—native as well as immigrant—taxing their energies to the utmost in the ultimate hope of exchanging some day the congested city for God's open country, the tenement for the homestead, the factory and mine for the farm.

This, in brief, is the problem of the insolvent farmer—the problem of the landless.

How Is the Problem To Be Solved?

Europe, in its usual way of doing things, has made the problem of the insolvent farmer political and governmental. Russia adopted this solution in dealing with the newly freed serfs, and in its Siberian colonization. Germany employed it in its colonization policy in the Polish provinces and in West Africa. The principle was accepted in England with the enactment of the Small Holdings Act in 1908. Even democratic Australia and New Zealand have dealt with the subject on a semi-political basis. The indications are that in this country we are tending in the same direction. The Crosser Bill, introduced in Congress last February, to my mind a most astonishing legislative pot pourri of feudalism, communism, Dowieism, prohibition and Utopia, is, nevertheless, sound in so far as it is a recognition of the social and political significance of this problem.

But conditions here are so different that I cannot believe that the problem has as yet reached the stage of national legislation. The problem of Maine, with 5 per cent of its farms occupied by tenants, is not the same as the problem of Mississippi, with 67 per cent of its farms in the hands of tenants. The problem of Iowa, with 95.4 per cent of its area in farms, is not identical with that of Arizona, with 1.7 per cent of its area in farms. Federal action, therefore, is manifestly open to grave objection. Besides, not only does the subject appear to come within the special province of the states, but they are clearly more competent to deal with it.

But while I believe that any state desiring to develop its agricultural resources or where farm tenancy has become a menace in its body politic cannot go very far wrong in recognizing the social and political significance of these problems and in endeavoring to solve them through the use of its credit and taxing power, I am not altogether convinced that state action is indispensable, or that it is even the best or most practicable solution of this vital—and, in the last analysis, national—problem. Apart from any political consideration, the states where the problem is the most acute are the least likely to deal with it on rational business lines. And it is on business lines alone that the problem can be satisfactorily dealt with. Let me give you a bit of my own experience.

Experience of a Philanthropic Society

The Jewish Agricultural and Industrial Aid Society, with which organization I have the honor of being identified, has been engaged in solving the problem of the insolvent farmer—in its limited and restricted sphere, to be sure, but none the less effectively—for 17 years. During that time it has established upon farms 3,500 families in 36 states of the Union and in Canada. The total financial outlay amounted to $2,065,391.13.

To help so many with so small an outlay requires not only financing but finessing. How is it accomplished? The first step is to taboo the first mortgage. It is only in extreme emergencies that we make a first mortgage loan. We leave the first mortgage to the vendor of the farm, the bank, the insurance company, or the private investor. The next step is to help our farmers to raise as many additional mortgages as they can for as much as they can. The third step is for us to take what is left over and what nobody else can be coaxed, cajoled, or sandbagged to take. For example: of the 396 loans made last year, only 44 were secured by first mortgages, while 186 were on second mortgage, 108 on third mortgage, 27 on fourth mortgage, four on fifth mortgage, 13 on chattel mortgage, 5 on unsecured notes, and the remaining 13 on purchase contract. Just to show you that all mortgages look alike to us, I will tell you that this year we made a loan for which our security is a sixth real estate mortgage on a farm in Connecticut. And I am willing to wager that we will not lose any money on this mortgage either.

"The insolvent farmer," says the "Journal of the American Bankers' Association" in a recent article reviewing our work, "is not such a bad risk as might be supposed, even though working on charitable aid." With loans decidedly marginal and security which is, to say the least, substandard, you will doubtless conclude that our losses must surely be appalling. Let us see. As I have stated, in 17 years we have actually lent $2,065,391.13. Our total losses for the entire period aggregate $64,217.94, that is, 3.11 per cent. That our insolvent farmers are not as insolvent as they appear, is shown by the way they meet their obligations. Last year their payments amounted to over $160,000, of which $40,000 was interest. This year they will aggregate about $200,000.

Just think. This is what was accomplished with farmers who were not only insolvent financially, but agriculturally as well. What, therefore, could not be accomplished with our army of indigenous tenant farmers, inspired by a new independence and a new hope? And what could not be accomplished with some of the best European farming material right in our midst if given a chance for land ownership, which to them is the emblem of nobility? While wrestling with our own difficulties and solving our own problems, I have often wondered why American philanthropy, American statesmanship, American enlightened self-interest has so long overlooked a field of activity so pregnant with good, so fruitful in results, and yet so consonant with sound business and financial principles.

What is needed is a national organization—call it, if you will, the Agrarian Bank of America—that will perform on a nation-wide scale the same functions the Jewish Agricultural and Industrial Aid Society is performing for the Jewish immigrants.

The Agrarian Bank of America

It is not my intention here, nor is this the time or place, to enter into details. But let us consider very briefly what an institution of this kind ought to be like, and how its creation will react upon the status of the insolvent farmer, the tenant, the landless man, and our country's agriculture in general.

Our bank should have two kinds of capital stock. This stock should, on the one hand, consist of preferred shares to be subscribed for by investors. On the other hand, there should be the common shares—without par value—to be subscribed for and owned only by borrowers. The preferred stock should be subscribed for by philanthropists and capitalists. I say philanthropists and capitalists advisedly. That is the only combination that will work. The bank should stand midway between business and philanthropy, or—to put it more correctly—combine business with philanthropy. It should not be a money making institution. Its operations should be conducted on a high social plane, and its stockholders should be satisfied with a moderate return—say, four per cent—on their capital. At the same time it should not be considered a charity. Its philanthropy should be conducted according to the most approved business and financial principles and practice.

Having organized our bank, we can now revert to our friend, Bill Jones. In his district there are perhaps about 100 tenant farmers. They get in touch with the new bank. They are advised, as a first step, to organize a national farm loan association under the Federal Farm Loan Act, and thus secure half of the money needed to buy their farms. As a second step, they are advised to organize themselves into another coöperative association—let us call them the Pioneer Farm Owners' Association. The third step is for the members to make application for loans through their association, each member buying one share of the common stock of the bank. The par value of each share shall be the same as the amount borrowed, five per cent to be paid in cash and the balance on call. The shares shall be elastic, their parity increasing or diminishing as the holder's indebtedness is increased or reduced. Loans are to be secured by second mortgages, repayable by amortization, with interest at six per cent.

Although, as the operations of the Jewish Agricultural and Industrial Aid Society clearly show, losses even on substandard mortgages are negligible, it is obviously necessary, if our bank is to be a paying institution, to surround these mortgages with sufficient safeguards to eliminate all losses, so that not only will there be no impairment of capital, but there will be adequate provision for expenses and dividends. This is to be accomplished through a system of reserves—three in number—and a sinking fund, to-wit:

1. *Primary Reserve:* The interest rate, as we have seen, is to be fixed at six per cent and the dividends at four per cent. This gives us a margin of two per cent. One per cent should be quite sufficient to cover expenses. The other one per cent is to be set aside as the Primary Reserve fund for meeting losses as they may occur.
2. *Secondary Reserve:* The five per cent paid by the members on account of their shares, shall constitute a Secondary Reserve fund, and shall be drawn on only after the Primary Reserve fund has been exhausted.
3. *Tertiary Reserve:* In the event that the Primary and Secondary reserves are insufficient to cover the losses, the unpaid balance on the common shares shall constitute the Tertiary Reserve fund—a final reserve to be assessed against in proportion to their parity, that is, the unpaid balance of the holder's indebtedness.
4. *Sinking Fund:* Should the reserves first named be more than sufficient to meet losses, the surplus should go into a sinking fund. When a member's interest in the sinking fund, and its accumulations, shall reach parity—be equal to his indebtedness—the indebtedness shall be cancelled, his share retired, and the member relieved from all further liability.

Landschaften For Insolvent Farmers

The system of reserves I have here outlined, is in a limited degree, the system of collective liability in use by the *Landshaft,* which has met with such success in Germany and other European countries. While I do not consider the *Landshaft* system as at all feasible for the solvent farmer, and consistently opposed its adoption in the rural credits legislation in this country, it is, to my mind, not only practicable but highly desirable in dealing with the insolvent farmer.

Bill Jones, the tenant farmer, is taken here for the simple reason that it is much easier to deal with him, because his personal qualifications and adaptability to farming have already been demonstrated. Besides, our first duty is to the farmers in this country. But the same principles will apply in dealing with would-be farmers and landless men, natives and immigrants, who are qualified and willing to associate themselves and assume collective liability for one another.

Amount of Capital Required

What should be the capital of this bank? All I can say is that the capital should be large. With an initial capital of $10,000,000, and with the Federal Farm Loan system and other available agencies carrying the primary liens, approximately 5,000 families—at an average of $2,000 per family—can be satisfactorily established, and out of the repayments on the original loans, more families can be added each year. The income on an initial capitalization of $10,000,000, or even $5,000,000, should—with loans made at six per cent—be ample to cover all costs of administration, make provisions for losses and reserves, and leave enough to pay a four per cent dividend on the preferred stock.

As I have stated, this is not the time or the place to go into the complex details of organization, administration, and operation of this bank. What I have attempted to show is that the insolvent farmer is, to all intents and purposes, in no better position today than he ever was. I have endeavored to set forth the guiding principles that are essential to the solution of this problem. I have outlined briefly a plan to make these principles operative. I firmly believe there is enough vision and imagination, and enough public spirit and enlightened self-interest, in this country to solve the problem of the insolvent farmer along rational business lines, and to make the Agrarian Bank of America a four per cent philanthropy combined with one hundred per cent business.

MARKETING OF LIVESTOCK.

WHY INVESTIGATE THE LIVESTOCK INDUSTRY?

E. L. Burke*

It is only four years ago that, through the efforts of Col. Frank P. Holland, Mr. Charles W. Holman and some other far-sighted and public spirited men, you held your first Conference. Four years is a very short time in which to make much progress in the study and solution of the great economic problems of this generation; they are much more complex and difficult than they were in the days of our fathers and grandfathers. But measured by what has been accomplished through your annual Conference since then, the period might well have been forty years instead of four. Fortunately for all of us, you have demonstrated that the producers can get together. In this time of concentration of many of the most important industries in this country into the hands of a few men, it is only through coöperation on the part of the producers that either they or the public can be protected, and the problems involved solved for the general welfare of the country. In Mr. Holman's foreword regarding this Conference, he stated that the time for generalities had passed and that you were ready for the definite and specific; in other words, action, not conversation, is in order.

Importance of Meat Industry

It would be superfluous for me to enlarge on the supreme importance of handling the meat supply of the Nation on the best economic basis possible. As to its relative importance, the United States Department of Commerce ranks the slaughtering and meat packing interest the largest single industry in this country. I believe that I can safely assume that this Conference is chiefly concerned in the economic welfare of the Nation and that any movement which promises progress in that direction, will have its moral and financial support.

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* Mr. E. L. Burke, of Omaha, Nebraska, is a prominent cattle producer and feeder, and member of the market committee of the American National Livestock Association.

I have the honor to be one of those who, at the meeting today, will represent the American National Livestock Association, a producers' organization which includes in its membership most of the leading cattle producers west of the Missouri river, besides having affiliated as associate members, nearly all the leading state livestock associations of the country. This association is big enough and liberal enough to look at things in a broad way, and if I were to attempt to express what it stands for in a few words, I should say: The economic and industrial welfare of the livestock producers. It is hardly necessary to state that it is one of the oldest, best managed and most powerful associations in the country and in the past has accomplished wonders for stockmen along constructive lines, through the untiring efforts of its very efficient officers and members.

Fighting for Free Markets

I shall not dwell on the achievements of the association in connection with railroad rates, sanitary service, land legislation, the livestock markets and along many other lines. It has always been a tower of strength in behalf of the producer and a bulwark in his defense. I wish to call your attention to what I consider the most important, as well as the most significant clause in its constitution, Article II, Paragraph 3:

> ''One of the objects of this association is: To secure to livestock men the widest, best and most competitive market possible for their products, and to this end to prevent combination and monopolies; and to secure such regulations by national and state laws as will best secure an open, fair and unrestricted market; and to promote the extension of our trade with foreign countries in livestock and its products, so as to give us access to the markets of the world.''

At the annual meeting of the association at El Paso last January, we were confronted with a problem demanding solution, which had been growing more and more insistent each year. It was the question of unfair conditions at the livestock markets and the remedies therefor. That brought us face to face with the packers. You will hear later regarding their dominating influence over nearly all the facilities at the market centers. You already know of the rapid concentration during the past 20 years of the buying power into the hands of a few large concerns; and on the other hand the tendency towards smaller and weaker units among the producers. You also know of the very unsatisfactory conditions that have prevailed for years at the market centers and that conditions had steadily been growing worse, until in 1914 and 1915 a crisis was reached. And right here let me sound a note of warning. Do not be lulled into a sense of security by the high prices which have prevailed for the past few months. They are merely temporary, and produced by war conditions. The present demand for all classes of food products is artificial and unprecedented. On the return of normal conditions in this country, our old troubles will return to plague us, unless we now take the proper steps to apply the remedy.

No Malice Against Packers

Turning back a year, we find on the one hand the beef producers, on account of their enormous losses and the unusual hazards were preparing to quit the business by the thousands, while the large packing concerns were making the greatest profits in their history. We wish them well, but we demand that they play the game fairly. We shall view with disfavor enormous profits if made by unfair methods. The situation at our meeting appeared to be loaded with dynamite; it was certain that if we opened up the question, that the packers would endeavor to shift the responsibility for the deplorable conditions on to other branches of the industry. Many were fearful that agitation would decrease consumption and react for lower prices; others feared the iron fist of the packers.

American National Takes a Hand

But true to its traditions, and the spirit of its constitution, the American National Livestock Association had the courage to tackle the problem and appointed a market committee of five men: Mr. H. A. Jastro, Bakersfield, California; Mr. E. L. Burke, Omaha, Nebraska; Mr. A. E. de Ricqles, Denver, Colorado; Mr. J. B. Kendrick, Cheyenne, Wyoming; and Mr. I. T.

Pryor, San Antonio, Texas, and gave them instructions to investigate the unfair practices at the livestock markets and devise remedies therefor.

Past Investigations Inadequate

There has recently been distributed by the United States Department of Agriculture, a report in five parts entitled "The Meat Situation in the United States". The committee appointed to consider the economics of the meat situation consisted of six men of the highest standing, prominent in agriculture and livestock, with Dr. B. F. Galloway, assistant secretary of agriculture, as chairman. After over 18 months of investigation and study, they did not make any formal report giving their conclusions and recommendations, but were content to let the specialists publish their individual findings. One of the specialists, Mr. Louis D. Hall, whom you are to have the good fortune to hear, said in his report:

> "Some of the weights and prices could be secured only indirectly through the courtesy of the packers and meat dealers concerned, and although they are believed to be substantially correct, they must be regarded only as results of preliminary investigations on this complex subject."

Again he says that:

> "Abnormal conditions created by the European war and the epidemic of foot and mouth disease, both of which occurred during the progress of the investigation, curtailed the work that had been planned."

Need of a Real Investigation

The questions of monopoly and remedies along constructive lines stand just where they did before this investigation. Could there be a better demonstration of the need of an investigation by a commission clothed with proper authority, with constructive remedies for its ultimate object, in coöperation with practical livestock men? The United States Department of Agriculture has signified its willingness to help the Federal Trade

Commission in the work. Such an investigation would bring results of lasting benefit.

In our study of the question, we not only had an economist prepare charts showing the relationship between receipts, prices of live cattle at the markets and prices of carcasses at wholesale, but Mr. de Riqles also prepared tables and charts bringing out graphically many important facts. While we have not been able to come to final conclusions, mostly because of the lack of sufficient reliable data and the magnitude of the task, we have gone far enough to feel reasonably certain that in addition to the natural economic forces, artificial forces are at work. We have endeavored to keep an open mind, to misjudge no one. Even if we were in a position to secure all the data to reach a definite conclusion, we know it would not be accepted by either the packers or the consumers, as it would be considered *ex parte*. We, therefore, concluded that before much permanent constructive work could be done, a careful investigation of conditions by some impartial tribunal like the Federal Trade Commission, and a report as to the proper remedies, was necessary. The commission was created for just such work, and it is the only body properly organized for it. They have the power to administer oaths, subpoena witnesses and compel production of books and papers, which the department of agriculture has not. It therefore seemed best to ask Congress to direct the Federal Trade Commission to proceed with the investigation and we supported a resolution to that effect and spent much time and effort in conjunction with other producers' organizations and the National Livestock Exchange to that end. We argued if there was nothing wrong with the system, that there was nothing to conceal, and that every one would welcome an investigation for the sake of a clean bill of health, the packers most of all.

Packers Oppose Investigation

Strange as it may seem, we met their determined and powerful opposition. I shall pass over the details of the contest; suffice to say that they were strong enough to block us temporarily. We have done our utmost to show them that it is for their interest as well as ours to have such an investigation as we propose, allowing the Federal Trade Commission to go as deeply into the producing end of the business as may seem necessary for a thorough understanding of the subject. An authoritative statement from the Federal Trade Commission, after a thorough investigation, would furnish a basis on which every branch of the industry could coöperate in building for the future, and would not only restore the confidence of the producer in the industry, but would also clear up the situation in the mind of the consumer and result in increased production and a greater demand for meat. It seems difficult for the packers to understand that this agitation on the part of both producers and consumers will never be silenced until the economics of the livestock market and meat situation have been thoroughly investigated, and if conditions are found unsound, the proper remedies applied. No half-way measures, no correcting of minor abuses which prevail at the livestock markets (important as it is to correct them) will divert the producers from the main point at issue.

There are some big and fundamental questions to be answered, and one of the most important is, whether these men are maintaining a practical monopoly of the meat business in the country; on the one hand dictating the price paid the producers, on the other the cost to the consumer.

Another is: How are we going to broaden and deepen the channels of distribution?

Secretary Houston has truly said that "production waits on distribution." But what is the use of increasing production if certain interests can block the flow in the channel leading from producer to consumer? Increased production would render control just that much easier.

The elimination of waste is another important question, but still more important is the devising of a way to prevent all the saving of waste from being absorbed by any one interest.

Answering the Packers' Advertisements

How silly it is for one of our largest packers to advertise that they no wise control prices because they do not produce or control the production of raw materials. Neither do the speculators in grain or cotton produce the raw materials or control their production, but it is a well known fact that they often control the price, sometimes injuring the producer, sometimes the consumer, and that, too, in markets which have the benefit of free and open competition.

There are other questions which are pressing for solution. We want to know whether the present system of centralized livestock markets is the best and most economical one for the country. Would it be less wasteful if there be decentralization and the livestock be killed nearer the source of production? These and others equally important can be satisfactorily answered only by some impartial tribunal clothed with the proper power and provided with sufficient funds to do the work thoroughly. Their verdict would carry the weight of authority and impartiality. Congress can provide us with such a tribunal and funds. By experience we have learned, as have many before us, that Congress does not respond to sectional demand. We can get legislation on this matter only when the livestock and farm interests publicly and aggressively manifest interest in the work.

We need the financial support of the various organizations represented at this Conference, and we must have their support at Washington. The average congressman from the agricultural and livestock belt must understand that his constituents are for this investigation and that a great and lasting good will result.

Packers Control Market Prices

We wish to present this subject to you from the standpoint of conservative and practical men. Personally I have been in the business of producing beef and pork for about 30 years. We market annually at Chicago and Omaha large numbers of fat cattle and hogs, and through personal contact with the buyers and commission men I have had exceptional opportunities to study the conditions. I have given you the conclusions that I have been inevitably forced to accept as a result of my own experience, conclusions which I reached with the utmost reluctance, for who is there who would not wish to believe every branch of his own industry clean and above the suspicion of unfair practices? Fortunately we have men here who can and will present this subject to you from different angles. Men who have spent the best part of their lives raising cattle on the ranges of the West, and who ship them every year by the thousands to the leading markets. Other men who breed in Texas and Arizona and who are qualified to speak with authority as to conditions in the Southwest; others who represent the selling interests, and who know every crook and turn of the methods employed at the markets.

We also have with us the principal executive officers of the American National Livestock Association, who are, above all, practical men, and desirous of constructive results. These men can and will present this subject to you much more convincingly than I can hope to do, from an economic as well as a practical standpoint. As evidence of their sincerity, in order to attend this meeting, they have come long distances at great loss of time and money. They have a message for you which it will be well worth your while to carry home.

Again let me earnestly urge your active coöperation in the solution of our problems. Get in touch with your representatives at Washington and urge them to help us secure the investigation. Preach the gospel among your neighbors at home; keep in touch by correspondence with our market committee, 819 Seventeenth Street, Denver, Mr. A. E. de Ricqles, secretary, and give us your financial support. We shall be busy at Washington this winter, we hope with the packers' coöperation. But we shall be busy just the same, and shall need your support.

THE LIVESTOCK INDUSTRY AND THE NATIONAL WELFARE

Edward C. Lasater *

I have attended this your fourth annual Conference with much interest, and I think I have been able to gather a good deal of useful information. I was particularly interested in the discussions that have taken place here on rural credits and financing the farmer. I would like to make this statement now, that the influences of this Conference and other agencies should enable the American farmer to reach the ideal conditions, that is, put him on a parity with the most favored farmers of Europe in that respect. It would enable your farmer to produce about 20 per cent cheaper than he is today producing. In other words, the food supply of this country would be produced at about 20 per cent less cost.

Now under the conditions as we have them, the American farmer would be in a better situation if that entire 20 per cent could be transferred to the consumer; but if we stop where we are should we succeed in placing our farmers in the most favorable financial situation and stop there, you would have brought no benefit to the farmer and none to the consumer, because our system of distribution in this country has been shown to be the most wasteful of any one of the modern nations. Now I would like to say here that I am going to present my ideas only. There is no association or no class responsible for them in this discussion.

The question of the marketing of livestock so that fair value may be returned to the farmer is one of vital importance to this Nation. To avoid becoming too serious, I am going to commence this talk with a quotation from "Life." Life said,

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* Mr. Lasater lives at Falfurrias, Texas, on a ranch of 650,000 acres, which he owns. He produces not only beef cattle but Jerseys, having the largest herd of Jerseys in the world. He has occupied a prominent position in the cattle industry for several years and was once president of the Cattle Raisers' Association of Texas. His figures on the cost of producing range cattle are considered authoritative.

"A government is an organization that can build worships but not peace ships; that can distribute mail but not express matter; that can build canals but not railways; that can give away valuable rights, but can never get them back; that can run navy yards but not stockyards." Since this quotation appeared in Life, our national government has disproved the statement on three of the five points made: witness the parcel post, the Alaskan railroad, and the merchant marine bill. This leads me to hope that the law of the jungle, "Every man for himself and the devil take the hindmost," has ceased to operate in the subconsciousness of the Nation as a basic principle upon which to build legislation, and that the greatest good to the greatest number is now the controlling motive. This would indicate that we are beginning to think and act for the common people. Lincoln said, "The Lord must love the common people, he has made so many of them."

When the producer of a commodity has to take his product to a market where the influence of the buyer absolutely dominates,—owning the stockyards; landlord of the commission men who handle the producer's commodity; owning the bank facilities that many of the commission men are absolutely dependent upon to grant accommodations to their clients; having a preponderating influence with the chamber of commerce of the city in which the stock yard is situated, because he controls the largest industry in the city; and for the same reason is catered to and deferred to by the local press,—can a producer expect to treat on terms of equality with the buyer under these conditions? I will leave the answer of this to you.

Importance of Private Control of Stockyards

The question of privately-owned and packer-dominated stockyards is of more vital importance to this Nation than the question of whether a navy shall be built and equipped at government-owned or privately-controlled ship-yards and munition factories. The one has to do with the cost of the defense of our national honor and rights; the other has to do with whether or not there is to be anything worth defending.

I make the statement that our Nation's future depends upon livestock production being made profitable to the American farmer, and assert that, on the average for the past 25 years, it has not been profitable. Without an increase of livestock on our farms, we cannot maintain the fertility of the soil,—the one thing essential to our future greatness as a nation. Are we equal to learning from the page of history, or must the bitter experience of nations that have passed into oblivion be ours?

Why Nations Have Decayed

The world has staged the rise and fall of many mighty nations. The Romans for generations occupied the stage as world rulers. In road building, city erecting, commerce creating, law making and law enforcing, I question whether their record has been excelled by any nation up to the present time. As time is measured, they occupied the stage but a brief span and passed on. Why? The Romans, from a nation of farmers, became great in war, wealthy in commerce and seemingly wise as law givers.

Were they? In the commencement of their power, the Romans were in possession of fields, tilled by their owners, that yielded more than 30 bushels per acre of plump, strength-producing grain; grain that nurtured a people so well that they became the masters of the world. When the scepter of power passed to other peoples, what was the condition of these same fields? Their returns were less than three bushels of shrivelled, chaffy grain to the acre.

Why this astounding change? As the wealth of the nation increased, the Romans became money and power mad. Country life, country pursuits became too slow. The dominating element of the population congregated in cities, leaving the farms to be tilled by hired and slave labor; instead of farming, they mined their soils. And so Rome as a nation ceased to be.

Will America Learn from the Romans?

Are we Americans intelligent enough to profit by the experience of the Romans? Do we not see here a parallel to what has taken place in America during the past 50 years, an exodus of the intelligence from country to urban pursuits, the renter taking the place of the farm owner? But yesterday, as the lives of nations are measured, our fathers took possession of a continent prodigally endowed by nature with soils, forests, minerals and climatic conditions favorable to the needs and welfare of man. We have been told by our politicians for more than a century, and every good American wants to believe it, that they instituted a government "the most beneficent ever devised by the mind of man."

What have we done with our advantages? We have girded our continent with great transportation systems that handle a greater commerce than any other nation ever created, at a less cost per ton mile than any other system of land transportation ever operated by man. We have created a banking capital almost equal to that of all other modern nations. We have builded many cities and in these cities erected buildings whose roof gardens look down upon any cities ever built by any other people. What else have we done? While yet an infant, as nations are judged, we have destroyed a large per cent of our soil fertility, that one possession which should be nursed by all peoples as a priceless heritage to be handed down to future generations, because, as a man is fed so is he, and the food supply of the nation depends on the maintenance of the soil fertility. In a day, as it were, we can rebuild cities. Recall San Francisco and Galveston. Blot out whole manufacturing centers and you have but caused an inconvenience to a nation. But bring down your soil fertility to a point where the farm worker cannot produce returns on a parity with the earnings of the urban population and thereby sustain the ideals of expenditure that have been inculcated in him, and your nation has been overtaken by a *national catastrophe,* a catastrophe so great, so all-pervading that it will take generations of national toil and deprivation to overcome.

A nation can be great and grow greater without millionaires,—without palaces, but it cannot even exist unless it has the home surrounded by fertile acres that will yield to the husbandman returns sufficient to enable him to surround the dear ones nested there with all that is necessary for their mental and physical well-being. Up to now, by cashing our soil fertility, we have been able to disregard all laws of political economy. We have kept the balance of trade in our favor by selling the nations of the earth our raw materials at less than it costs to produce them, soil fertility considered. Sound farm economics demand that grains and cotton seed products be converted on the farm into higher priced food products, such as meat, milk and butter, instead of contributing to the making of such products in foreign countries. In the one instance we maintain our own fertility; in the other we build up the fertility of the foreigner.

Why Livestock Production Is Decaying

The history of the livestock production for the past 25 years proves that unless our farmers can command non-packer-controlled markets for their livestock and unless the unfair competition of the Chicago packer can be controlled and eliminated, we cannot increase the production of our livestock on our farms, —the one thing essential to the maintenance of soil fertility, that factor so necessary to the retention of the virility of our nation. The Chicago packer has been an intelligence as cold, pitiless and penetrating as the north wind fresh from its frozen wastes. Before it stands a nation of farmers, bewildered, benumbed, dreading, questioning. We ask that this convention of representative Americans assist in having a governmental inquiry made into the cost of production of livestock and the marketing of all products therefrom, so that this industry, so vital to our welfare, be saved to our Nation while yet there is time.

In our short life as a nation, we have exhausted more than twenty-five billion dollars worth of fertility, a sum greater than the combined value of all our transportation lines and of all our manufacturing plants. This means that we have even now exhausted more than one-half of the fertility the Creator bestowed upon our continent as the rightful heritage of unborn generations.

Immediate Investigation Essential

It has been said that a nation's civilization can be measured by its interest in posterity. If this generation would prove its civilization and bring about conditions that will restore to our soils, with careful husbandry, that which we have so recklessly mined from them, we must have our Nation ACT NOW. As a nation we cannot tolerate the existence of an agency operating between the producer and the consumer, with the power to take from both that to which it deems itself entitled. The individual livestock producer is as powerless to protect himself from the conditions that exist as is the individual consumer. We both, consumer and producer, "the common people," whom "the Lord must love because he made so many of them," according to Lincoln, acting through a governmental agency, must have a thorough investigation of all problems that enter into the production of livestock; the marketing of livestock and the products therefrom, so that livestock production, so essential in feeding our people, and in the restoration of soil fertility, be saved to our Nation.

We, representing the livestock producers of our country, ask your assistance and coöperation toward bringing about an investigation of this matter by the Federal Trade Commission, so that the people of our Nation may have an authoritative exposé of the peril that threatens them, to the end that a cure may be provided and applied.

Discussion of Cost of Producing Beef

Chairman McVey: I suppose there is no other man in America who has a wider knowledge of the actual cost of producing cattle than has Mr. Lasater, and the matter now is open to you for questioning.

Mr. Simon Olson: I would like to ask this man a question, if he will put the cost of the production and rearing of cattle in days. If you can put the cost of growing cattle per day, if you will kindly put that so that the audience will understand it, per days?

Mr. Lasater: He wants to know, as I understand it, the cost of carrying growing cattle per day. Of course, that would vary with practically every individual farmer. I can give you the cost, what it cost me this year to produce a yearling steer under the conditions that I had to contend with this season. I have that here and I will state now that my ranch accounts were audited by Price, Waterhouse & Co., so there can be no question of their correctness. I can give you that information.

Mr. Simon Olson: Let us have it.

Mr. Lasater: I will state that this is one of our bad years in Southern Texas. You may know that the runs to market were remarkably light this year, and for that reason my expense account is somewhat heavier from a feed standpoint, and that necessarily follows from a labor standpoint also, than ordinarily. This year I had my ranch stocked up 20 acres to the cow. Each cow is valued at $56, and 20 acres of ranch land at $6 per acre gives a total investment of $176. Interest on the investment one year at eight per cent—I will state that is both the mortgage rate on lands in our section, also the banking rate on loans. I will submit this and whenever any business has to take a yield less than the banking rate of that section, when money is loaned only on good security and a man sits back and takes no other risk, practically speaking, that you at once must curtail production. That cannot be to the interest of the consumer. Interest on investment amounted to $14.08. Labor charges per cow 85 cents, repairs and improvements per cow $1.63, camp supplies per cow 53 cents, taxes on land and cattle per cow $1, feed per cow $2.37. That was in addition to the pasturage. That is 55 cents higher than the average year.

Mr. Olson: What is the total?

Mr. Lasater: Two dollars and thirty-seven cents expense moving cattle. I had to move part of my herd. I moved one-third, some 200 and odd miles to grass, and then returned them back to the ranch at an average cost of 93 cents. That of course is figured on the entire number of costs on the ranch.

Mr. Olson: How big a herd?

Mr. Lasater: About 10,000 cows. I moved something over 3,000 cows and about 1,100 of the larger calves that I weaned and fed some on the grass I moved them to.

Mr. Olson: What is the value of the land these cattle run on?

Mr. Lasater: Six dollars per acre is the estimated value of the land. Depreciation on improvements per cow 28 cents. Overhead, office salaries, per cow, 10 cents. Death loss per cow at three per cent, $1.68. Cost of bull service per cow 44 cents. Cost of producing a yearling steer on the basis of a 100 per cent calf crop $23.89. Cost of carrying 40 per cent of non-productive cows $9.56. Cost of a yearling steer on the basis of a 60 per cent calf crop $33.45. My actual calf crop this year was about 60 per cent. Ordinarily it will run around 70 or better than 70.

Mr. Olson: That would be a trifle less than 10 cents a day, 10 cents per day for growing your yearling?

Mr. Lasater: Yes, that would figure about that way, 365 days in a year.

Mr. Olson: In our locality we grow our cattle up to the age of three years, our average cattle, and they sell around $55 per head. That is from three years old and over. They average about $55 per head and that would give us the average cost of growing and furnishing the feed and labor in connection with the growing of the cattle at five cents per day.

Mr. Lasater: Do you use government land, leased land, or do you own it?

Mr. Olson: Own it. $100 an acre land in our locality.

Mr. Lasater: You use your own land?

Mr. Olson: Own land.

Mr. Lasater: Do you figure interest on that, and at what rate?

Mr. Olson: The critter the way I put it has not declared any dividend to the owner up to the age of three years, and we sell our cattle to the market and we on the average get about $55 for cattle three years old, that is taking heifers and steers and cows, and that would not give us more than five cents per day for furnishing feed and labor.

Mr. Lasater: You mean, that is about what you get out of it, that is your return?

Mr. Olson: Yes.

Mr. Lasater: I have sold my crop for the past three years at $35. I sold my yearling crop three years back at $35.

Mr. Olson: Per head?

Mr. Lasater: Per head, yes, sir.

Mr. Olson: You made two dollars and a fraction?

Mr. Lasater: Yes, over and above interest charged.

Mr. Houston (Kentucky): Mr. Lasater, is this the cost of a calf when weaned in the fall of the year, or in the spring following as a yearling?

Mr. Lasater: That is my cost the spring following. Usually our yearlings are delivered from April until June, and that would be the cost. The present calf crop will be delivered next May or June, and all my labor charges are figured in at that time.

Mr. Durand (of Minnesota): Will you state briefly about what part of that total cost is represented by interest on your land? It was something like $13, wasn't it?

Mr. Lasater: The interest charge is $14.08. The value of the land is $120 and the value of the cow is $56.

Mr. Durand: Was that the price you paid for the land, or the value at which you think you can sell it now?

Mr. Lasater: That is about the sale value of the land now.

Mr. Durand: Exactly. Is it possible to make money on any ordinary agricultural pursuit if you figure interest on the present selling price of the land? Isn't it a fact that the selling price of the land depends on what you sell your products for?

Mr. Lasater: I would say to a large extent it does.

Mr. Durand: One can't expect to make a profit on the price of the land when the price of the land depends on the profit.

Mr. Lasater: Well, I would simply say this, that I don't know of any capital seeking investment anywhere in the country that is not permitted to make a profit on the investment. For instance, you can take any real estate proposition on which they loan the usual loan of about 60 per cent of the value. If you borrow 50 per cent of the value of your lands, and you agree to pay the insurance company or any lender, we will say, from five to eight per cent, certainly if you are going to get no returns whatsoever on the remaining equity that you may have in that proposition, why you can not afford to handle the borrowed money.

Mr. Durand: If you could make say 12 or 15 per cent on the prices of the land, would not you immediately price up your land so that you never could make 12 or 15 per cent? In other words, isn't it reasoning in a circle to try to figure on a price of your land which depends entirely on the profits?

Mr. Lasater: I don't think so, because I don't think very many lands will be held anywhere in America, except in some outlying town where they may have a residential value, in addition to production, I don't think they are going to be held higher than what would be a reasonable per cent of their values.

Mr. Durand: Isn't it generally assumed with most producers that when the price of products go up that the price of land also goes up?

Mr. Lasater: I am unable to say what is in the producers' minds.

Mr. Durand: Don't they adjust the actual price and future increase in productivity so as to have a speculative value on the land greater than its present productive capacity?

Mr. Lasater: That I am unable to answer.

Mr. Durand: We find in Minnesota where I happen to be employed teaching agricultural economics, that no farmer can make five per cent or six per cent or any normal rate of interest on the price of his land, for if he could make it he would price up the land still higher, instead of expecting the price of land to go higher with the increasing price of agricultural products. It seems to be reasoning in a circle to try to figure profit on the price of land based on present market values which are based not merely upon the present earning capacity but on anticipated higher future earning capacity.

Mr. Manss (of Maryland): How does the speaker figure his land value?

Mr. Durand: The way it is commonly figured is on the basis of the current selling price of land, the result being that they are unable to figure a profit. The correct principle, as I believe every economist in the country will tell you, is to figure the price of the land at what you pay for it, and if you by good fortune thereby make a large profit you are that much to the good. If you bought it recently and at a high price you paid that high price partly for what you thought you would get out of the land this year and next year, but partly as a speculative proposition, assuming that the products going higher the land would go higher, and part of your profits would have to be figured from the increased price of land in current earning power.

Mr. Faithhorn (of Florida): What breeds are these costs based on?

Mr. Lasater: Hereford and Durham.

Mr. Stull (of Nebraska): At the proper time I will bring forward facts to show that the meat production of farm lands has been no factor at all in the advance in price.

Mr. O'Dell (Chicago): I would like to ask a question. Did I understand you to say you sold your yearlings at $35?

Mr. Lasater: Yes, sir.

Mr. O'Dell: What are those calves worth at breeding time in the fall?

Mr. Lasater: As yet there has been no market in my section of the country to any great extent for that age animal. Usually we sell to people who want to carry them over to maturity.

Mr. O'Dell: In my section of the country we sell at weaning time, and the price was so nearly that of yours I don't see how you could afford to carry over the yearlings.

Mr. Lasater: You see I am something over a thousand miles from your section, and in my section of the country too I am south of what is known as the quarantine line.

Mr. O'Dell: This particular section I speak of is in Colorado.

Mr. Lasater: Gentlemen, I would like to make this further statement. The question has been raised here about the advisability of any further inquiry into marketing conditions. I think that is most essential, not only from the standpoint of the producer, but from the standpoint of consumers. Now, if the producers of any element that enters into production is getting more than a fair return for we will say his energy and capital used, I think the general public ought to know it. Now, if the waste is between the producer and the consumer, I think that fact ought to be established by certain inquiry as we propose. It must come from some authoritative source. Once locating the trouble I believe it is entirely practicable to find a remedy.

Mr. Rossiter (of Utah): I should like to ask how many months you pasture your cattle, and how many months you have them feeding.

Mr. Lasater: As a usual thing we do not feed at all.

Mr. Rossiter: You don't feed at all?

Mr. Lasater: It is only the unusual conditions that we have to feed.

Mr. Rossiter: Your costs then here are for a year's pasturage?

Mr. Lasater: Yes, sir.

Mr. Rossiter: What did you pay for your pasture? You own the land, you say, at $6 an acre?

Mr. Lasater: Yes, sir. I will state this. The feed consumed on the ranch this year was $2.37 per head. Now that is 55 cents more per head with the 10,000 cows than the average feed costs. Every year we feed some small lots of cattle for the market. It may be of interest to the gentlemen here for me to state that I fed last year this same quality of yearlings when they were weaned in the fall, instead of turning them upon the pastures, I put them on concentrated feed and marketed them as baby beef. Now there were 182 head in this experiment that weighed on the market at Fort Worth 721 pounds, and the average price per pound at Forth Worth was .091111 cents. Now, I had a feed bill on these steers of $30.25 and the labor on the bunch was $80. That showed a profit of eight dollars and some cents over the average yearling steers.

Mr. G. W. Stone (of Iowa): What was the value of this land when you bought it and how long has it taken to come up to this $6?

Mr. Lasater: Twenty years.

Mr. G. W. Stone: What was the value of it when you got it?

Mr. Lasater: It cost me from $1 to $3 an acre.

Mr. Durand (of Minnesota): I would like to ask one other question on the same line. If you were the manager of a corporation, say a livestock packers' corporation, would you figure the rate of profit by dividing the market price of the capital stock into the profits of the year? Or would you put in what the investment cost you as the basis for calculating your profits?

Mr. Lasater: Well, that would depend altogether on how your plant had been kept up. There would be many factors that would have to enter into that.

Mr. Durand: Did you ever hear of a corporation that attempted to figure its rate of profit by taking the market price of the capital stock as the divisor, and dividing that into the annual earnings?

Mr. Lasater: No. Usually the corporation that you are discussing, after charging off we will say depreciation, interest charges and so forth, after paying a reasonable dividend, then they pass so much up to surplus.

Mr. Durand: Yes, but I don't think that answers my question.

Mr. Lasater: The only surplus any ranch I have been able to come in contact with in many years has ever carried at all would be what you might term the increase in real estate.

Mr. Durand: That is the same increase in the market price and capital stock, isn't it?

Mr. Lasater: It is certainly similar, yes.

Mr. Eliot (of Texas): Mr. Chairman, the corporation has a plan of selling watered stock to take care of that increase. (Laughter.)*

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* Many discussions have had to be omitted on account of lack of space.

PRESENT STATUS OF LIVESTOCK INDUSTRY

T. W. Tomlinson*

On behalf of the American National Livestock Association I wish to thank the officers and members of this Conference for considering our problems. We think they are your problems. If you can aid us in settling this perhaps we may be able to point you to a better settlement of some of your other problems relative to other agricultural products than livestock. I feel that I ought to apologize to this organization and to this most intelligent audience for not having prepared my remarks in writing in order that I might more concisely and pointedly refer to the various factors which I desire to discuss. But my absence from Denver in the Northwest and multiple other duties and the lack of knowledge as to whether I was to be on the program is my answer to any criticism that might be made why I did not put my remarks in better shape.

Rank of Nation in Livestock Production

There may be some in this audience who are not fairly familiar with the importance of the livestock industry in these United States, and I will try to give you in tabloid form a brief survey of the position of the United States as to the production of livestock compared with all other countries in the world.

We have in the United States approximately 60,000,000 to 65,000,000 cattle, about 70,000,000 million hogs and 52,000,000 sheep.

We have more cattle than any other civilized country or uncivilized country.

The number of hogs in the United States is probably as great if not greater than the number of hogs in all other civilized nations on the globe, excluding only China.

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* Mr. Tomlinson is the veteran secretary of the American National Livestock Association, with headquarters in Denver, Colorado. He has a familiarity with the problems of more stockmen than perhaps any other practical man. His findings and views cannot fail to be of importance, and thought-promotive.

Our sheep population is only exceeded by Argentina and Australia.

According to the meat economists of our federal government there are annually produced approximately 60,000,000,000 pounds of meat products. Of this amount the United States produces only 19,000,000,000 pounds. We produce in this country in general terms approximately one-third of the meat products in the entire world. Livestock and the meat industry in the United States has been the backbone of our prosperity. It has paid the great international trade balances which we owed to foreign nations due to our being a borrowing nation in the earlier stages of our national life.

For many years we exported approximately $250,000,000 worth of livestock and meat products. Through the exportation of this vast volume of meat products we repaid those countries that had advanced money in earlier years. During the present year we will export, if the figures of the department are to be relied upon, approximately $300,000,000 worth of meat products, and if all signs do not fail we will probably export as much next year.

In addition to the maintenance of the fertility of our soil you can readily see that in this way livestock is and has been the backbone of our national prosperity, and it will continue to be if it is properly taken care of by our federal government and by those concerned in the industry.

Why Increase Production When Prices Are Depressed?

I think I can best illustrate the point which the members of the American National Livestock Association and our market committee have in mind as to some of the evils affecting the present marketing system by relating a concrete instance that came to my attention as to the livestock situation in the Northwest. For a good many years the packers on the Pacific coast bought their cured hog products and live animals in what is known as the Corn belt, that is, in Kansas, Nebraska and on the Missouri river market, in North and South Dakotas and Minnesota; and shipped them west for slaughter on the coast. Not a great many years ago one of the large interests at Portland, Oregon, owning the stockyards and a packing plant in that section started a campaign in the Northwest to raise more hogs

They employed a man for that particular purpose and went through the country talking to farmers. He secured the support of the agricultural and market bureaus in the Northwest and finally convinced the farmers in that section that their great and only salvation was the raising and feeding of more hogs.

As a result of that campaign, which was joined in vigorously by these experiment stations and colleges, the production of hogs in the Northwest increased by leaps and bounds. Where formerly they obtained their supply in the Missouri river territory they were able to secure it in the nearby territory such as Oregon, Montana, Washington, Idaho, etc. The supply of hogs in that section probably increased ten-fold in many localities. That was the situation in 1914.

Along in September, 1914, hogs were selling, if I remember correctly, on the Chicago market at about $9.60. That was the high mark at some day during September. During October there was a break as has been referred to of approximately $1 to $2 per hundred pounds in the course of two or three days, and in the middle of December the top price of hogs on the Chicago market was $6.50 per hundred pounds.

Now, what happened in the Northwest? People in Idaho, for example, had to sell their hogs to the buyers in the country at from four to four and one-half cents per hundred pounds, less than the cost of production. A good many of them went out of the business. I was talking only a few days ago with the president of the Northwestern Livestock Association who lives at Grangeville, Idaho. He said that at least 25 per cent of the people who were formerly in the hog business, who had been prevailed upon to go into the business, had quit and would not go back; that of the remainder the large majority were only keeping a few for breeding, and that possibly not over 20 to 30 per cent were feeding or raising their full quantity of hogs. The situation in the Northwest today is that the packers in the North Pacific coast region will have to come to the Missouri river valley to get their supply of hogs.

Now who benefits by this procedure?

What I have said may not point a moral or adorn a tale, but it shows pointedly I believe the strong-armed tactics of somebody in putting the price of hogs down below cost of production. These people went out of business and are going to stay out of it for the simple reason of the uncertainty of the business, the unstability of prices and lack of assurance that they will get a living wage or any wage when they mature their crop of hogs.

Why Consumers Should Be Interested

The consumer is interested in that proposition. Prices have now ascended to a high level. In the Northwest the price of top hogs is higher than it is in Chicago. I was in Winnipeg about 10 days ago and hogs were selling on the Winnipeg market from 11 to 12 cents, considerably higher than on the American markets even as far east as Buffalo. They are selling higher in Calgary, they are selling higher in Seattle and Spokane than they are on the Chicago market, and they are selling at that price simply and solely because some one pushed the price down below the cost of production.

Mr. deRicqles this morning showed some very interesting tables of our exports, and if you will recall those tables you will remember that during this period to which I have referred there were immense exports of hog products, more exports than the increased volume of marketing. Therefore, there was no market surplus pushing on the consuming markets in this country. Indeed there was a less surplus pushing on the consumption in this country than in previous years, and yet the price went down.

Our association is not unmindful of the great benefits that have flown to the livestock industry through the operations of the great packers of this country. It was only through the medium of the great concerns, such as represented by Mr. Swift and Mr. Armour and Mr. Morris, that we were able to build up our phenomenal export trade and to pass to foreign countries the immense surplus we had in earlier years. We are grateful for their support in that respect, but we do feel now that their grasp on the prices on the different markets is such as to have a baneful effect upon our industry, and this illustration that I make about the hog prices I think points the moral as well as any statistics to which I could refer you.

Packers Have Supreme Power

Now, this instance is not an isolated one. I could go back to other years and show the same condition as it refers to cattle and as it refers to sheep. Numerous instances can be related by any practical stockman throughout the country. We believe the power that was able to put down the prices of hogs—and I could as well say of cattle—despite the large exports, despite the fact that our consuming demand was up to normal, is a power that bodes great ill to the livestock industry. It is a power which I think the packers should shrink from exercising.

Put yourself in the position of a packer. If you felt that you could control the markets at advantageous times would you buy products higher or lower? Would you not shrink from exercising that power even if you possessed it? The packers may be victims of their own expansion. They are most admirable gentlemen. They are like us, working for the best they can for themselves, and if we were in their place perhaps we would pursue the same methods that they have adopted.

It is our belief that a thorough investigation of this problem through the medium of the Federal Trade Commission may result in the recommendation of certain reforms or remedies that can be put into effect either through conferences or through the machinery of our federal government.

How the Independent Packers Lost Out

If you have followed the annual reports of the great packing concerns of this country you have noticed that they have made a large amount of money in recent years, legitimately, no doubt. Probably it may be because of their intense systemization of their work and their utilization of their products, but it may also seem strange to you that other independents have not embarked into the packing business if it promises such great returns as these large packing industries have undoubtedly made. It is an alluring prospect, but there is a reason why there are not more independents throughout the country, and that is one of the factors we want investigated.

I dislike to refer you to ancient history but most of you will remember that during the time 10 or 15 years ago all great shipping institutions like the packers received large rebates and in that way had an advantage over the small man. It has been rumored, and creditably believed in certain instances that the packers as well as other large industries did attempt to defeat independent competition by lowering their prices at certain distributing points so as to drive out all business of independents. Whether that exists today or not I do not know. I hope it does not.

Still the fear exists in the minds of all who might contemplate going into the business, the fear that if they did invest their money some large competitor might see fit to come into their particular locality and drive them out of business, and that is the reason why so many who would like to go into the independent slaughtering business are deterred from doing so. We believe an investigation of that by the Federal Trade Commission will be productive of great good; that as the result of such a commission carefully watching after unfair competition such as that will insure these independents fair treatment, and that therefore they will be encouraged to go into the business.

Need of Plants Closer to Producing Regions

There is no rhyme or reason in livestock being shipped from the country into the market and the finished product being shipped back. There is an economic loss in that which ought to be saved to the consumer and to the producer and which could be shared under semi-ideal conditions as to slaughtering. If there were more independent plants or municipal abattoirs there would be less stock come into the market, probably less opportunity to depress prices. The unstability of livestock prices in this country today is the great baneful effect of this centralization of packing interests in the great markets, and we believe it can be cured by more competition in the shape of independent plants in the various localities.

Domination of Stockyards Companies?

Not long ago I was talking with an officer of an independent stock yards in the Northwest and I referred to the instance of our talk simply to illustrate the packing company control of stockyards. He said the big packer at his point wanted 51 per cent of the stock in that stockyards company. They declined to give it to him and he used all the machinery of all the banks in that section of the country to compel them to disgorge and give him the percentage he wanted.

Fortunately that particular stockyards was able to resist these attacks upon them and the packer did not succeed. However, he did insist, and he did not get that either, he did insist that the commission men on that market should give him the first and last chance on all livestock. In other words, he demanded that he should have a little the best of all the other buyers because he was the large buyer on that market. Now that in effect illustrates some of the bad effects of the packer domination of these various stockyards companies. Mind you, I do not charge that the packer control of stockyards has been abused in the past, but the situation is that it can be abused and it is too great a power to lodge in the hands of a few men.

Garfield Report Now Ancient Document

Reference was made this morning to the Garfield Report, and why, and why inasmuch as that report had been made we wanted another federal investigation. You will remember that the Garfield Report was made many years ago, in 1904, I believe. Conditions have materially changed since then. The stockmen did not coöperate in that investigation. We did not have an opportunity to present our side. While I do not wish to impugn the accuracy of the Garfield Report, I believe I voice the sentiment of most stockmen when I say that they did not regard as satisfying the conclusions arrived at by Mr. Garfield.

Now it it true that the United States Department of Agriculture has created what is known as a market bureau, under the able administration of Mr. Brand and Mr. Hall, and they have been conducting some investigations into the livestock and meat packing industries. As was pointed out by Mr. Burke this morning, they obtained through the consent of the packers what information they were willing to furnish them. Their report is more in the nature of a survey of the general livestock and meat conditions than it is an investigation of the problems or evils connected with the marketing of livestock or meat food products. What we want is an investigation of some of the evils which we are certain exist.

Does Agitation Affect Prices?

A great deal has been said in the papers and through some of the emissaries of our friends the packers that agitation will affect prices. I do not believe that is a sound conclusion, and even if it is we have got to face that alternative. We think that the time has come when there should be a thorough going, federal investigation, not only of the meat packing industry, but of the entire livestock industry; and if after such an investigation, the parties that make it can discern any remedies that can be applied, action should be taken by Congress to put their recommendation into effect.

It is for that reason that our association is asking the federal government to direct—asking Congress to direct the Federal Trade Commission to investigate the meat and livestock industry of this country. In this request we do not wish to be unfair to any one connected with the meat packing industries, whether it be packers, the commission men, the owners of stock yards, or ourselves, the livestock producers. All we want is a fair deal. We shall object to anything but what is fair, open and above board to every one. We hope that this distinguished body of men will see fit before you adjourn to carefully review what has been said and what will be said to you on this proposition, and that you will pass some resolutions asking for the investigation to which we refer. We believe it will be of great benefit not only to the producer but to the consumer and to the packer as well.

WHY A FEDERAL INVESTIGATION OF THE LIVESTOCK INDUSTRY?

Dwight B. Heard *

I first want to congratulate the officers of this Conference for the steadfastness with which they have carried on this work which has led to this conference. I want to congratulate them on the representative attendance of the class of men that are here, for the interest that has been shown in these discussions, or the fairmindedness of the discussions; because, I want to tell you, my friends, that this question of marketing is going to be a big domestic question in this country. We have neglected it frightfully. The wastes of America have been something fearful. Some wise man has said that Europe could live on the waste of this country, and it is indeed true.

Association's Policy One of Construction

I want to tell you something of the work of our association, the American National Livestock Association. I want to call your attention to the fact that we have behind us a record of many years' work, and that through all that time it has been constructive work. We never have attempted a destructive policy, and we are not approaching anything today in a destructive spirit. We believe that there are in this marketing of livestock very serious abuses. We think there are definite, level-headed methods and remedies. We say to our friends, the packers, with whom we do not agree, that we want their help in a fair, square, just way in remedying what we think are abuses.

Now this matter has been under consideration by our association for many years, and I am going to give you very briefly a history of what has led up to the present situation. In our market committee we have at our annual conventions and

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* Dwight B. Heard of Phoenix, Arizona, is a prominent cattleman, and has served that industry for many years in public capacities. He is president of the American National Livestock Association.

from time to time reports indicating certain conditions which needed improvement. These reports became so convincing a year ago that a special conference was called a year ago last summer at which the officers of the association, I happening to be one, met with that special committee and we talked over whether it was not wise to bring the whole question of the need of an improvement in livestock marketing conditions to the attention of the secretary of the United States Department of Agriculture.

Origin of Department Conference

As the executive officer of the American National in connection with Mr. Tomlinson, our secretary, I wrote Secretary Houston a letter outlining the situation that we felt existed, and asking if it would not be desirable to have a very friendly conference with all the various interests that enter into this tremendous question. The secretary seemed to think that the idea was a wise one and a year ago last November a conference was called and was held in this very hotel. It was attended by many producers. I very much regret to state that at that time there were present very few representatives of the packing interests. Since then the packing concerns have shown an awakened interest in the work of our association and the work of the other national associations. Why? Because they recognize that the time has come for them to work with us towards getting at the facts of the situation. Now, sometimes it has been said that the market committee is known as the fat hunting squad. But I think you will agree with me in view of some of the statements that have been made today, some of the figures that have been shown you, some of the charts that have been displayed, that they are fat hunters and that we are trying to get at the truth.

All we are seeking is the truth. We do not desire to knock any one. We do not desire to destroy any one. We are exceedingly glad that the packing industry today is so tremendously efficient. I presume there is not in the world today, even in the steel industry, an industry which is handled from such a tremendously efficient, scientific standpoint as the packing business. I presume there is no industry where there is so little waste. It is perfectly marvelous when you study the reports of trained experts when you find how they have increased the value of their byproducts. One of the very vital things in this whole situation is, that owing to the tremendous efficiency of the packers they have arranged so that they get such a large, additional return from their byproducts that they can well afford to sell their best meat at the figures that they have been selling it, and still they will go right on making a lot more money than they did the year before.

How Does Speculation Affect Consumers?

When we get this whole question threshed out perfectly fairly, another question will be brought up, and that is this, to what extent, if any, does speculation or manipulation of pork products affect the price of meat to the consumer? Now, I presume that there is comparatively little speculation in beef products; but it is generally believed by those men who have studied this question thoroughly and impartially, and not with any prejudice, that when it comes to pork products there is a large speculative factor.

In the work that we want to do we want to get away from that law of the jungle to which my friend Lasater has so well referred, and we want to bring about a condition of real coöperation. Coöperation, my friends, today is the secret of square dealing and success. We want a coöperation which means real coöperation; which means that the producer makes his reasonable profit on his product, the producer sells to the feeder and that feeder feeds intelligently and scientifically, and he makes a reasonable profit on his product; that the packer handles it so that he makes a reasonable profit on his work; that the retail butcher handles it so that he makes a reasonable profit. From the whole history of that animal, what you might call from the cradle to the table, it should go through the various factors of the business so that every man has a square, reasonable return on his industry, and not so that certain factors make tremendous profits while other factors of it absolutely operate the business at a loss, as many feeders have done in this country in the past two years.

Now, this is not a question of sentiment; it is a question of just getting together on a fair, square, money basis; not abusing one another, but getting at the facts, and trying to be dead fair. I am sorry to say that it is very hard for me to see why the packers of this country for whom we have no ill-will, are not perfectly willing to say, "Gentlemen, we are with you for a complete investigation through the Federal Trade Commission." I am here today on behalf of the American National to urge that there be such an investigation. I am here to ask the gentlemen who are attending this conference to use their influence towards such an investigation.

WHY PROBE THE LIVESTOCK INDUSTRY?

A. E. DE RICQLES *

Agricultural and livestock interests are so closely connected and so dependent on each other, that it is difficult to know where one commences and the other leaves off. So many uncertainties attend the maturing of the crops of each, that both are anxious to get for their products, markets as little variable as possible. This question of marketing livestock has been one that has received much attention in the last few years. It affects our agricultural prosperity.

It was only about a year ago, however, that the matter took definite shape and, so that you may understand some of the material that was presented by the market committee of the American National Livestock Association, it is desirable perhaps, to recite to you briefly the conditions that existed and were the main factors in causing the creation of the movement.

Reason for Creating Market Committee

Most of the material I will take from my address as chairman of the market committee, on January 26th, 1916, at the El Paso convention of the American National Livestock Association, at

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* Mr. de Ricqles is secretary of the market committee of the American National Livestock Association, and lives in Denver, Colorado. He is engaged in producing and financing feeding operations in the cattle business. The figures he presents here are the results of careful surveys.

which time and place the resolutions were passed that resulted in recent activity and provided the money to do the work that we have been carrying on.

Stock growers, in the fall of 1915, were disturbed by the peculiar situation existing in the livestock markets. These conditions included severe losses by cattle feeders in the corn belt.

Experience of Iowa Feeders

One example showed that, out of 56 feeders in Iowa who fed 2,025 cattle (an average of about 36 head) 53 of them lost an average of $19.32 per head, while the other three made an average profit of $3.58 per head.

Prices of Average Steers, Chicago

It was also shown that the average price of native steers in Chicago was only $8.40, as compared with $8.80 for 1914, furthermore, that the average price of hogs in Chicago for the years shown were as follows:

1915	$7.10
1914	8.30
1913	8.35
1912	7.55

The average price for hogs in December, 1915, was as low as $6.40. It was further shown that the total slaughter for the year 1915 showed an increase of only 396,658 cattle and 121,000 calves, and that on the 31st day of December, 1915, the stock of provisions in the five big centers was practically the same as in 1914.

Imports and Exports of Beef and Cattle

The number of cattle imported into the United States in 1915 was 193,687 head less than in 1914,—and the amount of fresh beef brought into the United States for the same period decreased 108,210,283 pounds.

Moreover the exports of beef to foreign countries in 1915 increased 290,023,926 pounds and the increase in exportation of pork products increased about 518,000,000 pounds. On the top of this, we knew that industrial conditions in the United States were better in 1915 than 1914, so when you put the whole thing together and realize the enormous increase in the cost of production, it is not strange that stock growers felt that there was something very seriously wrong and commenced to look about them to correct the situation.

Facilities Owned By Packers

The first thing they met, to consider was the condition at the different markets. Investigations indicated that these stockyards and markets were all controlled by a few individuals. They found that the same people who bought their products (or the packers) owned these stockyards, cattle loan companies, rendering works, railroad terminals and many other things connected with the handling of livestock at market, and that a few men were in command of the situation.

Earnings of Packers

It was natural for the stock growers to look at the earnings of these packing house men who control these different interests to compare them with the earnings of the stockman, and they found that the packers had enormously increased their profits. For example, Swift and Co., in 1915, after paying a dividend of $5,250,000, showed a surplus earning of $8,650,000, as compared with a surplus earning of $4,200,000 in 1914 and $3,000,000 in 1912. Armour and Company also showed a big increase.

Remedies Proposed

Many remedies were at once proposed. Some people wanted to indict the packers; others wanted to build municipal abattoirs. There were suggestions that the government slaughter all livestock, or take over all the stockyards. Others proposed that the states take charge of the various industries connected with livestock within their borders, and many letters were written to senators and congressmen asking help; and a lot of congressional resolutions were prepared, some of which were introduced.

The Borland Resolution

Of course, it was natural for this matter to immediately get into Congress, and I believe it was at the suggestion of Missouri and Kansas stockmen that Congressman Borland of Missouri introduced a resolution in the House of Representatives proposing an investigation of this question by the Federal Trade Commission.

This resolution was not originated by the market committee of the American National Live Stock Association; that committee was not ready to take this question to Congress and had not sufficiently studied the matter, but was compelled by the very nature of the resolution and the situation as it existed, to support the Borland resolution. This was done and later in the year this resolution was revised and corrected into what might be called a compromise resolution, so as to try and satisfy both the radicals and the conservatives.

This, briefly, is the history of the situation.

Associations Supporting Market Committee

In the meantime, resolutions supporting the work that the market committee had been directed to do were passed by the following associations:

> American National Live Stock Association; Cattle Raisers' Association of Texas; Corn Belt Meat Producers Association of Iowa; Kansas Live Stock Association; Missouri Cattle, Swine and Sheep Feeders Association; Amarillo Buyers' Convention; Panhandle and Southwestern Stockmen's Association; (Albuquerque, N. M.); Montana Stock Growers' Association; Wyoming Stock Growers' Association; Cattle and Horse Raisers' Association of Oregon;

as well as many others, and a considerable sum of money was subscribed for the work of the committee.

Cost of Producing Livestock

At some of the hearings before the judiciary committee of the House of Representatives in Washington, it became evident that to understand this question the producers' side had to be given attention and that the cost of production of livestock would be brought out. Some of our members believed that we should confine our efforts simply to an investigation of the packing house and stockyards matter. This course could not be done, for all these matters are so closely connected that it is impossible to take hold of one side of the question without the other.

Superficial examination into the cost of production of cattle early in the year, has surprised even those who thought they were well posted; for example, a very conservative estimate of the cost of maturing a Texas Panhandle calf into a three-year-old steer resulted in the following figures: That the calf cost,

At 6 months old	$24.93
At 12 months old	33.16
At 3 years old past (steer)	56.86

The same steer fed out for six months, in Kansas, cost $105.31. Or, if it could be made to weigh 1,300 pounds, the average cost per cwt. in Kansas City would be $8.10 before the feeder secured any profit whatsoever. Taking into consideration the present price of corn, cotton seed cake and other feeds, the cost of producing this steer would be increased to about $9.40 per cwt. in Kansas City. This for the ordinary Texas Panhandle three-year-old.

When the producers figured out their own expenses it was natural for them to begin to look into the costs of those who bought their product at market (or the packers), and to find out whether they were any relation between the receipts and prices for cattle and prices for dressed beef.

Many of us, because the packers showed such enormous earnings, jumped at the conclusion that this was made out of our cattle that were sold at low prices on the market alive, and that the packers profited by selling the dressed beef and other products at a high price. A study of these figures does not prove that conclusion to be entirely true.

Conditions of 1915 Winter Market

During the winter of 1915, when feeders lost so much money, some curious things took place. For example, the receipts at the six big markets fell off very fast from the first day of January and kept down several months. This was a period of bad cattle prices. The price of dressed beef went down sharply. The price of native steers in Chicago went down, but not so fast perhaps as the price of beef, although it has not yet been determined at what prices dressed beef should sell per pound in New York wholesale to yield a fair profit to the packer when the price of live cattle in Chicago is round 8 cents per pound.

Average Chicago Price of Native Steers

In 1915 the price line for live cattle seems to be more regular than either the price line for dressed beef or receipts at market, although it does not seem proper for the price of dressed beef to go down when the receipts decrease or for the price of beef to go up in the face of increased receipts.

Average-Priced Steers—How Figured

By way of explanation, the average price of native steers in Chicago is perhaps not figured in the best way. To get this price it would be necessary to take all the sales made in Chicago and the weights and the price, and figure out an exact average, but that would be impracticable and is too much of an undertaking, nor would it be sufficiently valuable to justify the expense.

Swift's Beef Figures

The average price has been established by the market papers for years, in a certain way in connection with these market quotations, and is approximately correct and will serve as an index for the present. This may also be said of the price for Swift's wholesale domestic beef in New York which is used as an index, and while we are not sure as to how it is determined still for years they have been publishing this average price for their dressed beef in New York.

The cattle receipts at these markets of course are correct. This chart, if it proves anything, would indicate that there is very close relationship between the price of wholesale beef in New York and the price of live cattle in Chicago. These two price lines seem to be consistent and it seems natural that in the fall of the year, when there are big receipts, both the price of live cattle and the price for dressed beef should decline. It does not seem natural, however, as stated before, for the price of both cattle and beef go down in the face of decreased receipts, as they did during the winter of 1915. The fact that the price for dressed beef did go down rather disarmed the producer of his idea to indict the packer for his low prices. Had we found the price of dressed beef high during the winter of 1915 we certainly would have been able to enforce a claim for damages against them; but such was not the case, and all the information that the market committee has been able to secure tends to point to a very poor demand for beef during the winter of 1915 and difficulty in selling the same. This of course does not apply to dressed beef that was exported to Europe, and it is perhaps on that export business that the packers made their greatest revenue and, therefore, we should have been paid more for our fat cattle.

Variation in Volume of Sales

Just what the price of cattle might have declined to, had there not been this export movement, is not known. One of the most remarkable features shown by the chart is the strange performance of the beef market in the month of October, when the price of beef went up very sharply at the time of the greatest receipts of cattle at market. You will see after that a steady decline in both cattle and beef prices.

One of the small charts which your attention is directed to, shows the variation in price of bulk of sales of cattle in Chicago for the week ending September 29th for the years 1913, 1914, 1915, and 1916. You will see that the variation of price for these four years is also marked and is the greatest in the year 1916, when it extended from $7.75 to $10.75. It is of course a fact that the shorter this line, the better it is for the shipper, or the man who sells the cattle, as the long line always carries with it many cattle at the low price or the lower end of the line. The public is much impressed by the published report of cattle sold at especially high prices. These few lots of fancy cattle that top the market through the week are, of course, very wonderful, and especially fine for the feeder who is able to do this work, but they do not help the great number of men whose cattle sell within the line called "bulk of sales," because the consumer, when he hears of steers bringing $150 and $175 apiece, vows he will cut out this high-priced beef from the bill of fare, and proceeds to buy something that is not so cheap or so nourishing.

Average Price of Steers and Swift's Beef in 1916

The third chart that I am presenting to you shows the average price of beef steers in Chicago and the average price of Swift's beef in New York for part of 1916. If you consider these two charts you will at once realize that they are to a certain extent, consistent. How much dependence one can give to the figures published by Swift & Co. for sales of their dressed beef in New York will be taken up later in this article but in a general way the lines created are consistent. If anything, the cattle line is a little steadier than the beef line. You will note that the extreme variation for Swift's beef was $4.30 per hundred and the extreme variation for beef steers is $2.40. This chart is more valuable in connection with matters that I am to present hereafter, than if used alone.

Average Price of Steers for Three Years

The fourth chart I have here shows the average price of beef steers for the three years namely, 1914, 1915 and part of 1916. There is very little difference in the three years, with the exception of a short period during the early summer of 1916, when beef cattle reached a very high price. The average for the three years seems to run along in about the same line and possibly $8.50 would be the average price per 100 pounds for these three years.

Swift's Beef at New York, 1915–16

Chart No. 5 shows the sales of wholesale domestic beef in New York of Swift and Co. There is very little variation from last year, except as stated in the early summer, and the sale of this dressed beef seems to be consistent with the price lines of beef steers in Chicago for the same period.

Receipts of Cattle, 1915–16

The last chart shows receipts of cattle at the six important markets, viz., St. Louis, Kansas City, St. Joseph, Omaha, Chicago and Sioux City, for the years 1915 and 1916. At this time the increase of cattle at these various markets is something over 1,000,000 head and the receipts are back now to about where they were in 1907.

Explanation of Increased Receipts

We should not be alarmed at this increase in the receipts of cattle; that is, we should not be disturbed because they are large in number. What should disturb us, however, is the unfortunate condition of drouth and feed crop failure over many sections that has caused these cattle to move around from place to place; and while possibly one-half of the increase has been sent to the killing house, still it does not mean that the country is overstocked, based on a normal feed crop condition.

Beef Prices Justify Cattle Prices

Going back to the charts, the conclusions that we make from them are about as follows:

1. If the prices given by Swift and Company for domestic dressed beef are fairly arrived at and are, in fact, the average for wholesale dressed beef in New York, then and in that event the price paid for live cattle in the years 1914 and 1915 would be, to a certain extent, justified unless the prices at which the export beef was sold were high enough to entitle the beef steer producer to more money.
2. Receipts at market do not always regulate the price for live cattle. As is easily noted on these charts, in some cases prices for live animals decreases on small receipts and increased on heavy receipts.
3. These receipts at market are controlled by elements over which we have no control, such as the season, or unfavorable conditions of weather in certain sections or favorable conditions of weather in other sections. Also the receipts at market may be affected

by the movement of empty stock cars. These cars frequently go back to points of loading in large fleets, and they seem to keep swinging back from loading points to market in these long trains like a pendulum, and from the very nature of this car movement congestion follows. Of course, it is more economical for railroads to haul 75 or 100 empty cars in one train to the loading district, than to scatter them out in small lots on local trains. This is on account of the car cleaning system, tonnage and other features.

Shipper Hesitates to Criticise Packer

Before going further I want to mention the fact that in this business it is embarrassing for the shipper of cattle to market to criticise the methods of those who buy his product. Many of the patrons of the market are afraid they will be discriminated against, and they have hesitated to present their grievances. This is one of the features that has made it difficult to get before the principals the actual defaults and mistakes that are made.

Packer Hesitates to Criticise Retailer

Another thing that we must not lose sight of is the fact that the packers are in just the same fix in this matter of criticism, feeling that perhaps they are not in a position to criticise the retail men to whom they sell on account of high charges for retail dressed meats that are sold over the counter and about which we read so much in the papers. For example, if Swift criticises the butcher to whom he sells for the way he charges, the butcher might say that it was none of his business, quit him and buy his meat from Armour. These are some of the situations that exist, and we must be careful in our undertakings not to ascribe sinister motives to everything that is done.

Emphasize Need of Investigation

It is at this point that we wish to emphasize the necessity for a federal investigation by some committee that is free to present facts without fear, and whose report the people will accept. Whatever a packer or shipper might state, does not have much effect, for back of it would not be the same disinterested authority that would go with the report of an authorized body, such as the Federal Trade Commission. An investigation by that body should relieve the timid shipper from the fear of being injured on account of his complaint of bad treatment. It would relieve the packer from the necessity of criticising the retail butcher for high retail prices, something that we certainly believe should be thoroughly gone into, just as much as any other feature of the business. It would also enable those investigating the question to determine how much importance or reliance should be put on the published price made by Swift & Co., for weekly sales of dressed beef, and thereby, give us some authentic basis of comparison in the matter of prices as between live cattle and dressed beef. Those very features alone seem to me sufficient to justify this proposed Federal Trade Commission investigation.

Experience in New York City

You may be interested in hearing a short statement regarding what I recently learned in New York. I found that a great many of the wholesale houses were grouped together in certain localities where switching facilities were available, and from which large sections are supplied. For example, at one point Armour, Swift, Morris, Wilson & Co., and others were all located side by side.

The location of these wholesale houses adjacent to each other creates a condition in the sale of fresh meat quite similar to that which exists in the sale of live cattle that we find existing at Union Stockyards in Chicago and elsewhere. However, the location of these markets in such close proximity is in the direction of economy and convenience for the retailer who may go out on a buying expedition, for he can in a short time see the offerings of all the packers and make his selection with a minimum of time lost in going about. The centralization of these plants, however, has the other feature, that of enabling the wholesalers to keep track of each other and their customers and to have much knowledge of the business of the other houses; and, if they so desired would aid in continuing a mutual understanding between them as to price, distribution, etc. I understand that about 45 per cent of the wholesale dressed beef handled in New York is sold on Mondays and Tuesdays of each week. This large percentage in the first two days of the week may have some relation to the Monday market in Chicago and the concentrated receipts of cattle on Mondays and Wednesdays. I was much surprised to note the unsanitary conditions of the wagons used by the retailers to carry their purchases from the wholesale house to the retail shop. The meat is not delivered by the wholesale packer, but is taken home by the retailers in their own conveyances. It has occurred to me that as an economic move, we may finally ask the big packers to add the retailing feature of the business to their undertakings. We would then be dealing with responsible parties whom we could hold to account for unreasonable prices or unsanitary conditions. I will touch on this again before closing.

Reasonable Prices of Wholesale Meats

I was much impressed by what seemed to me reasonable prices for wholesale meats and their excellent condition; but on the other hand, the retail shops did not seem sanitary and their prices were certainly very high. In one retail shop I noticed soup meat priced at 19 cents per pound and chuck roasts and steaks at 23 cents and 25 cents. These prices, charged over the counter, certainly are exorbitant and out of all line with the wholesale price.

Soup Meat Versus Baked Chicken

In this same shop they were selling baked chickens at 60 cents per pound. Even at 19 cents per pound the soup meat has twice or three times the food value. This baked chicken business hurt me as it is such folly. It is a straight advertisement and indictment of the ignorance of a class of the present day American housekeeper who, coming home in the late afternoon from a picture show, rushes over to the grocer and buys a cooked cold storage chicken for the husband's supper and passes by the splendid beef costing only one-third as much, even at the high rate now asked; and then spends the next day complaining about "the high cost of living."

If we could educate these classes in the best way of cooking medium cuts of beef, it would go very far toward solving these perplexing market questions. It will come to that some day, just as Germany has had this thing to work out; but it is a long way off, and the present is a period of ready-cooked meats, canned vegetables, picture shows and divorce courts.

Meat Business a Monopoly

A continued study of this special market question as regards livestock leads one in the direction of the idea of monopoly. The more you dig into it, the more you are convinced that it is a monopoly, and perhaps you also believe that instead of destroying this monopoly and experimenting with something else, we had better take charge of it and try to regulate it so as to eliminate its bad features and continue the good ones.

I think the principals in this packing house business are convinced that they should ease up a bit on the old time market pressure. I am satisfied that a great many things have been done at market of which they were not informed, and even if they did know it, I believe they have come to the conclusion that it is not now good policy to continue to put too much pressure on either side of the business; that is, reduce too much the price of cattle that are bought at market or hold the dressed beef at too high value.

In fact, I do not believe they have as much to say about the price for dressed beef as we think they have, because I noticed a butcher in New York who was buying quite a number of dressed cattle making bids on them at a sum considerably less than the salesman was offering to take, and when his bid was not accepted he went off to another place. That was a revelation to me because I have always had the idea that the retail butcher who bought wholesale dressed beef in New York had very little to say about the price; while, as a matter of fact, it looks as if he had it much his own way.

Importance of a Disinterested Investigation

All these matters that I have touched on lead to but one conclusion, namely, that the government should immediately go into all of these questions very thoroughly; not with the object of putting anybody in jail or destroying anything, but simply to get the absolute facts and reliable figures and information, to the end that the real conditions of affairs be brought out.

Therefore, it seems to me of the utmost importance for us to convince the packing house people and stockyard companies, to join with us in a petition to the Congress of the United States to authorize the Federal Trade Commission to go thoroughly to the bottom of all these situations and let us look at it; and for one I am ready to sign any sort of petition that will result in an investigation of this kind. As a large owner of livestock I would be glad to have the Trade Commission commence first, if it so desired, on the feature of the cost of cattle production because I am sure that when this is demonstrated and thoroughly understood, there will be an end to this howl in the papers about the enormous profits made by the cattlemen. You will cease to hear people accused of being paid too much for their cattle; and the buyers who purchase our cattle at market will realize that if the supplies for their packing houses are to continue they will have to pay a fair and regular price.

Cattle Men Confer With Packers

I believe that the market committee is to have a conference with the principals in the packing business. I have nothing more to say to the packers than is in this statement, except that I believe if they will agree with us on a petition to the Federal Trade Commission and sign it, that it will be one of the most important things that has been accomplished this year, for it will take them out of the present position of being the defendants.

Refusal of Packers to Accept Investigation

Their refusal to go with us in this matter has placed them in a questionable position, and regardless of their statements to the contrary and their efforts to prove to the public otherwise, so long as they refuse to agree to this investigation of the industry from one end of it to the other, just so long will they be suspected of combination and conspiracy.

People More Important Than Property

Before closing I want to present to you an idea. I believe it was illustrated by the recent election. Namely, that out in our western country especially, the sentiment seems to be gaining ground, that, after all, *people are more important than property,* and that while property in the past has been considered first, we now are giving a little more thought to the people who produce it

INEQUALITY IN MARKETING LIVESTOCK

J. B. Kendrick*

I have been in the livestock business since a boy. In fact, it is a case like Joseph said to his people: "Both I and also our fathers, our business hath been about cattle." I have gotten young steers in the Panhandle of Texas, two and three years of age, and shipped them to Montana and Northern Wyoming and matured them in two or three years. I have held them two or three years longer; paid the freight on them to that country; paid the freight on them from there to Omaha, and have taken them in a Southwest when we could load say 38 to 40 in a car at $21 a head, and when I shipped them to market at 22 and 23 in a car, I have taken $21 a head for them. After shipping them, paying the freight on them two ways and paying the expenses on them two years and standing the loss, I had nothing out of it but two years' use of the cattle.

This sort of experience ought to qualify one in a sense to see the need of an investigation.

I also have on other occasions sold native cattle that were produced on the range weighing 1,200 pounds at $3.40 netting about $35 a head, $33 to $35, when the hides on those cattle were selling for about $14 apiece. Of course, though we are inclined to be liberal and generous, that sort of experience is calculated to make us suspicious.

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* J. B. Kendrick is a prominent cattleman of Wyoming, and was governor of that state when he delivered this address. He was elected to the United States Senate in the 1916 general elections.

When appointed upon this committee in El Paso I asked our friends to go about it in a thorough, straight-forward, sensible sort of way to find out whether or not there was anything wrong in the way our cattle was marketed. Do you know that this volume of business is perhaps one of the largest in the Nation? It reaches out and touches the interests of almost every community in the United States, including every kind of livestock—even the poultry on the farms; and the magnitude of it alone would justify the most searching and far-reaching sort of an investigation.

Investigation Should Be Impartial

We began our work in this spirit and our investigation carries with it no indictment of anything wrong. That is the farthest thing from our minds. We are going to assume that these men with whom we are dealing in the central markets are innocent until they are proven guilty. We are not going to assume the other way around; but we are going to investigate just the same, and nothing could be more conclusive on that point than this gathering here today and the sensible sort of a way that people are insisting upon every step that has been taken.

Now from my viewpoint, I believe that these gentlemen who have controlled the markets, as we say, or have bought our products, ought to be even more insistent upon this investigation than are we; because we have it from every side. If they would come with me into the country, to the men who produce these different kinds of livestock, I could easily show them that the wind is rising. It is not only to become a whirlwind, it is later on to become a cyclone, unless this matter is entirely cleared up. When a man has taken the price of his product in the market, whether that is high or low, that price ought to be definite and satisfying. We of the West have taken without grumbling the low prices, and what we are insisting on now is not a rise in price but a market for our product; and that is just exactly what we are entitled to.

Producers Ask for Fair Remuneration

I say to you further that we do not ask these gentlemen who are buying this product to make up for the slipshod methods of production. We simply ask them to base this business on a competitive and a fair basis—one that will guarantee to every man who produces it under proper conditions the right of remuneration. If he produces it in a way and at such a cost that is not justified, why certainly he must stand for the loss and not the men who are handling this product. Those of us who have to do with this investigating committee, this market committee, if you please, are not taking this step in a selfish sort of a way, and we are not asking for any advertisement. What we are doing in this case is to get information that shall draw this whole matter into the limelight, as every other kind of a legitimate business is carried on, so that every man may know just what he is doing. If these men join hands with us in this investigation we believe that it will be to their benefit as well as the benefit of the producers of this livestock.

We believe that before we are through with it, they will be very much in the same position as the managers of the great railway lines of this country. You have noted for the last 10 or 15 years that every effort to make an inquiry, an investigation, every effort to correct the abuses of the railroads has been fought to the last ditch. And yet you have seen the men who manage those railroads concede that after the reforms were instituted they were the best things that had ever been done for the railroads. We believe the same thing will prove true in this particular case.

Yet I want to say to you, finally, that those of us who are carrying on this investigation are not doing it for selfish reasons. It is not enough for us to believe that we are getting the fair market price for our product if our neighbor is not getting a fair price for his. If we of a state are getting a fair price, we want the people of the next state to have it as well. It is a bigger question than an individual one; and we are proceeding along that line exactly. And I say to you that the fundamental principle behind and under it all is the fact that we are through with the survival of the fittest plan. We are trying something else; and we ask these men who control these big markets to join hands with us in this investigation.

WHY LIVESTOCK PRICES CHANGE

GEORGE K. ANDREWS*

Sometime ago a very civic and altruistic organization in St. Louis inquired what they could do for agriculture. Some one told them that the farmer was more in need of marketing his farm products than of any other one thing. Accordingly, a committee was appointed to investigate that subject of which I was made the chairman, or, as we sometimes call it at St. Louis, "the goat", because I had a good deal of the work to do. That report is here to be submitted to this meeting because of the action of your program committee, but I am charged by the officers of the Business Men's League of St. Louis to say that this report has not been acted upon by it, possibly because they have not had a meeting yet, and also possibly because knowing me they did not want to be responsible for what might be said at this meeting. It cannot only show the relation between present demand and supply and price, but if the figures are charted properly, flat enough to show the curve, they project themselves into the future. It is the most scientific way of ascertaining what the tendency of the market is going to be that is known at the present time. In our study of this matter we had occasion to question people engaged in large commercial transactions in a jobbing and wholesale way, and whatever the product happened to be, whether it was muslin sheeting or hogs, if you will, every merchant said that whenever the market is oversupplied with any one of those staple commodities there was a break caused by two conditions, one because the buyers did not want that much and the other because of a psychic condition, a sort of panic that set in that made people sell their goods whether or not. So that it is almost axiomatic in business that when the market becomes flooded the price of that product drops below the cost of production.

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* Mr. Andrews is agricultural commissioner for the Missouri-Pacific-Iron Mountain Railway system, with headquarters in St. Louis, Missouri. This report was written by Mr. Andrews and concurred in by the other members of the subcommittee consisting of C. H. Schlapp, I. R. Kelso, and Wirt Wright.

I say that the price of hogs is determined by the hogs produced in 14 states by 3,000,000 farmers. The fact of the matter is that the price of hogs is determined by the price that the packers pay. They buy 33,000,000. Of those hogs 32,000,000 are raised in 14 states—Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, South Dakota, Nebraska, Iowa, Kansas, Missouri, Kentucky, Tennessee and Oklahoma.

In other words—the plat isn't here that we had this morning—there were some incongruities pointed out in that plat. It was said that at the time when the supplies of cattle were decreasing, notwithstanding that, the price of cattle decreased. If alongside of those two lines were platted the exact conditions of the demand at that time it would show that the demand had to do with the decreased price and that price decreased in spite of the fact that the receipts of cattle had decreased. It would show very plainly that that price was the result of an improper agreement somewhere; I am not saying where.

REPORT ON MARKETING FARM PRODUCTS

To the State Development Committee of the Business Men's League of St. Louis:* At a previous meeting of this committee it was said, in substance, that the farmers and especially those in the Corn belt are of one mind in the belief that farm products are not being marketed at fair prices, as evidenced by voluminous complaints by farmers and farm writers in all farm journals. That these complaints are accompanied by the assertion that prices undergo rapid changes; rising to a profitable figure so as to encourage production and thereupon falling, without any cause perceptible to the farmer, to an unprofitable one. That a very eminent authority has said in commenting upon this condition that not much further progress towards maximum yields is to be looked for without some improvement in marketing farm products by means of which prices are maintained more uniformly above their bare cost of production.

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* This organization is now known as the St. Louis Chamber of Commerce.

Thereupon this sub-committee was appointed to investigate and report touching possible development work by the Business Men's League in the way of affording better marketing facilities or marketing advices to the farmers in its trade territory.

Marketing of Meat Products Unsatisfactory

The unsatisfactory marketing conditions most detrimental to agriculture in the Corn belt are those relating to livestock. It is absolutely essential to the upkeep of soil fertility in the Corn belt that its great name-crop be fed for the most part on its farms. Without animal husbandry there is no such thing as a permanent agriculture and without profit there is no such thing as a permanent animal husbandry. This country simply cannot afford to have livestock sold off its farms without profit; for while the loss falls first on the farmer and second on the farm, it falls at last and everlastingly on the whole country. If there were no other way to prevent such a calamity than to prevent selling meat off a farm for less than cost and profit, then it would be money in every man's pocket to make such a law and provide the costly and elaborate machinery to enforce it.

The methods of the husbandry of dairy products, cattle, hogs and sheep differ one from another in matters of production but are practically alike in the matter of marketing. The farmer is at the same disadvantage in marketing one such product as in the others; and the losses when they occur in any one of them have the character common to all. in that they are not productive of corresponding gains to consumer and are therefore economic losses or wastes.

Factors That Control Price

The controlling factors in marketing a staple farm product are price, demand and supply. Each such factor is influenced by the others, so they must be studied together. Price is further limited and controlled. at the top by intrinsic value and, at the bottom, by cost of production. And if the product is marketed in the unfinished state, demand will be influenced by the price of the product in the finished state. All of the major and minor factors are further influenced by the plexus of related conditions of weather, finance and trade, some of which matters may at times assume the proportions of controlling factors for the time being.

Wheat may be sold at any time; but nearly every other farm product must be sold soon after it is grown, if it is to fetch a profit or, profit aside, if it is to avoid a loss. When the time comes the farmer must go to market and when he gets there with his carload he has to sell whether the other man wants to buy or not. In going to market he is going it blind; but he meets a buyer who knows the market factors up-to-date and how to assemble and equate them.

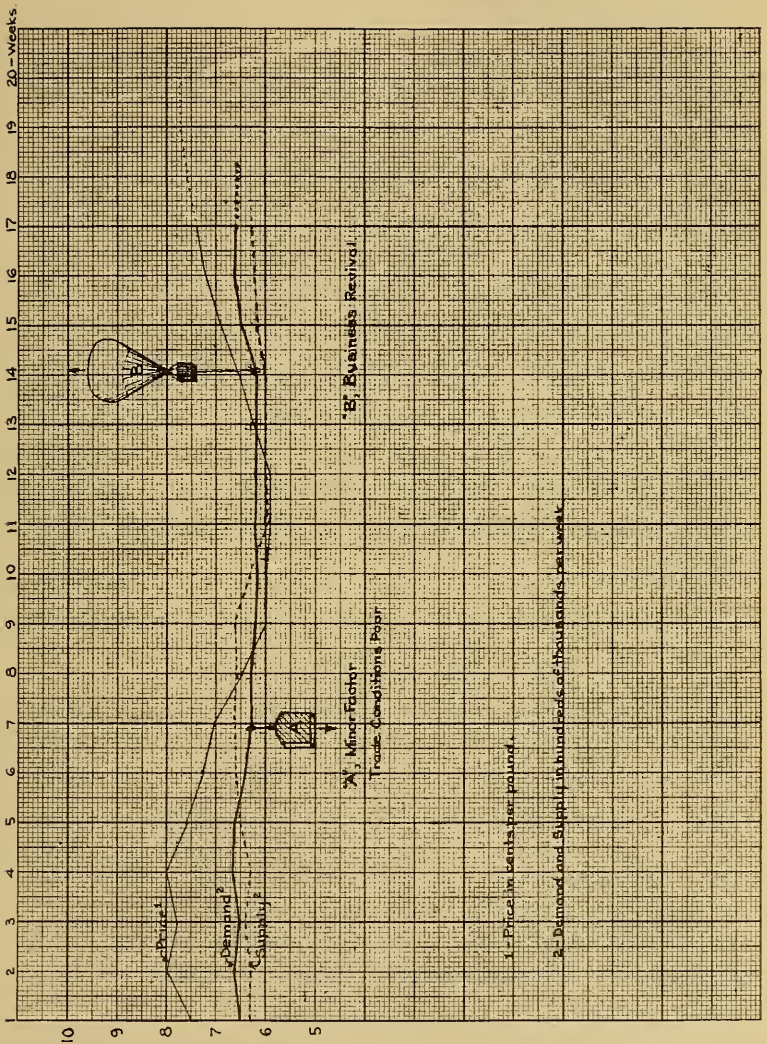
Individual Must Decide for Himself

Howsoever paternally inclined, the government is not going to tell him when to sell, no matter whether it should back up its judgment or back up from it. All he is entitled to, and probably all he wants, is an even chance in the game of marketing, which is the game of wits; he is no fool. How is he to get the even chance? In no other way than by getting the same knowledge of market conditions. We have herein a hypothetical set of marketing conditions pertaining to the hog market. It is stated graphically. If put down in plain words and figures most men would give up trying to find out what they meant and go and sell their hogs; but stated as they are, any man will understand them at a glance. Stated the other way, the least you can do with, is a sheet of paper and the higher mathematics; stated this way the most you can require is eye sight, with or without specs as your case may be.

Price, demand and supply are seen to be indicated at regular intervals of time, and as the notations are continued they take the form of a line that runs upward or downward at each change of the particular factor. Certain factors are seen to have been at times under the influence of minor factors. Poor business conditions pulling demand downward and therefore being represented as a weight; good business, at another time, lifting it upward, like a balloon. At the beginning of the total period covered of 17 weeks, the price was around $7.50 and the packers were buying 630,000 hogs a week from the producers and the real demand, according to commerce reports of hog products market conditions, is seen to be equivalent to 630,000 hogs a week. Thereafter a period of trade depression sets in at about the time when supplies increase. The demand then falls below the supply, the price starts downward, and never stops until it falls below the cost of production, a result to be expected under such conditions, *if* you are aware of the conditions themselves.

Subsequently a trade revival sets in, stimulating demand and, in turn, supply, the latter being stimulated not only because the packers wanted more hogs, but because they began to run the price up on each other. While the demand keeps head of the supply, the price naturally keeps rising; but the nearer supply catches up with demand and the nearer the price approaches the top limit of intrinsic value, the less it rises. This makes the price line assume the shape of a curve. But inasmuch as the rise is less and less each succeeding week, the curve changes its degree of curvature or radius each week. In other words, it is a compound curve. Now if we extend this curve into the future, compounding it in the ratio of its previous compoundings, we begin to see that the price is going to reach the top limit a month hence and this limit will be pretty close to $7.75. This price prediction is almost machinelike in its accuracy if the data with which the lines are made of price, demand and supply are correct. Supply is obtained from the producing activities and marketing operations of 3,000,000 farmers throughout 14 states, and demand is the expressing of the capacity of 50,000,000 of townspeople to consume those enticing products of the hog which once made for us the season of his assassination a continuous round of pleasure. It takes a pretty big jolt to move such a price line very far out of its orbit.

In this connection, along with the complaints enumerated, the charge is made by some of the writers in farm journals that price-breaks are the result of unlawful agreements of buyers. But, unless a price-break is the result of reasonable and legitimate conditions, it would be seen to be unreasonable and un-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Price 1
Demand 2
Supply 2
A
B
"A", Minor Factor
Trade Conditions Poor
"B", Business Revival
1 – Price in cents per pound.
2 – Demand and Supply in hundreds of thousands per week.

founded in fair dealing when platted alongside demand and supply.

Farmers Need True Information

Furnishing market information to the farmer is good business for any association of business men having the brains and other resources to do it with. Without market information the farmer is helpless and, left to himself, is helpless in getting it. At present, whenever there is an overcrowded market to a degree sufficient to bring on a price-break, such drop of a dollar means $6,000,000 less hog money in the Corn belt each month, and, when the drop goes down to six dollars or so, the farmer's profits are wiped out and the next drop cuts into the pay for his feed and labor. Thirty-four per cent of the losses on hogs occurs in the three adjacent states. Now, there is no sense in price-breaks going so far. Long before the bottom is reached they could and should be checked. Shipments should be reduced, both by holding back small percentages of those lots whose owners have to sell, and by getting rid of the psychic obsession of those who do not have to sell but do so out of apprehension.

Information as to the staple crops—corn, wheat, cotton, etc., is probably full enough for practical purposes, acreages, crop-pest and weather conditions throughout the world enable estimates to be made of volume and price; and the range of prices so arrived at is apt to obtain, subject only to such modifications as meet changing conditions. Any improvement in marketing staple crops will doubtless consist in getting the information derived from the farm back to the farmer in concrete and useful form. That relating to livestock, on the contrary, is not obtained at present with fullness and accuracy. The livestock crop is never wholly dependent upon current field crops. One farm or one large section may be raising and feeding its maximum amount of live stock while another farm or section, under like crop conditions, may be doing little or nothing. Market predictions, made without the knowledge of visible and future supply, are mainly guess work; and if the farmer is to have reliable information with which to make his predictions, he must furnish the ground work therefor.

It is easy to find difficulties in the way of gathering such a vast quantity of details. We have listened to a long list of them. Beef cattle differ so much in kind that mere numbers count for nothing. During their growth and fattening they are perambulating around the country from one place to another, as the grass is eaten down in one section and feed is ready in another, making it impossible to keep track of them. Farmers are reluctant to give out information. If farmers knew the information given out by them was coming back to them for their own use, they would be glad to give it out. And, if makeshift resorts were abandoned and the data obtained in a business-like way, these other difficulties would disappear. The great expense of the work will probably be urged against it.

The corn yield for the United States averaged for the 10 years, ending 1909, two bushels per acre less than for the 10 years preceding. The decrease in Iowa was the same but in Missouri it was only 1.2 bushels per acre, and yet for those two states alone the decrease in yield per acre amounts to $30,000,000. Part of the lessened yield was due to causes other than a more impoverished soil; but it is safe to say that anything that puts animal husbandry on a paying basis is worth half a million dollars a year to every state in the Corn belt, and anything that even promises to aid in doing so is worth whatever it may cost.

How to Secure Accurate Data

How is the mighty volume of farm data to flow from the farms to its destination, and how are the results derived therefrom to get back to their source?

It can be made to flow from the farms to the country public school, there to be assembled for each such district by the head teacher and the scholars as part of the educational work of the school. It would then go to the state board of agriculture, to be again grouped in county units or in one single state unit or set of units. From the state board of agriculture it could be sent to the head of the organization, there to be made into a curve to be platted along with its related curves or factors otherwise gathered. Thereupon this could be made to travel direct to the school houses.

When this subject was broached it was believed that the work might turn out to be big enough for the Business Men's League. It did. But even this rapid reading must show that the information required must come from the whole country, and, of course, belongs to the whole country. It, therefore, devolves upon the state and federal governments, and, of course, so far as its central activities are concerned, upon the Office of Markets and Rural Organization of the United States Department of Agriculture.

The only recommendation your sub-committee makes is that the state development committee, or other proper committee of the Business Men's League, should lend its influence and endeavors to the furtherance of such efforts, legislative or otherwise, as may be made at any time to obtain for the Office of Markets and Rural Organization reliable, complete and useful reports of farm products so as to transmute the knowledge derivable therefrom into forms of usefulness to agriculture.

FEDERAL MARKET NEWS SERVICE OF LIVESTOCK AND MEATS

LOUIS D. HALL*

The topic that has been assigned to me is "The Market News Service of Livestock and Meats", and is such a large one that I am going to stick entirely to that subject excepting this.

So many have asked me just what the office of Markets and Rural Organization is, and I have heard so many remarks that indicate that a great many either have no idea or the wrong idea of what it is, that I should like to take just a minute to make clear to you just who we are and where we belong. In 1913, Congress, by a special act, authorized the secretary of agriculture to establish a new bureau or section in the department of agriculture to be called the office of markets, and the office was established in May of that year with Mr. Brand as chief who is still serving in that capacity. A year later the rural organization service was combined with the office of markets under the name of Office of Markets and Rural Organization. The authority conferred by law on this bureau I shall not try to quote exactly, but in substance is this, to collect and distribute useful information relative to the marketing and distribution of farm products.

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* Louis D. Hall is specialist in livestock of the Office of Markets and Rural Organization, United States Department of Agriculture, with headquarters in Washington, D. C. He has been placed in charge of the new market news service inaugurated by the department and for which an appropriation of $60,000 annually has been made.

The principal misconception which I want to remove from the mind of any one who may have such a conception is that this is a great deal more than a bureau of market statistics or market economics. The primary purpose which we are trying to serve and hope to serve more fully than we yet have been able to do is as a direct service bureau. The market statistics and the studies in economics which we might make would be of very little use unless they were put into application and our purpose is to put them into effect at every possible point.

Another thing I should like to say as to our general policy, if I may quote our chief, Mr. Brand, there are three classes of views held by the people of the country with regard to these marketing problems and they are: The pessimists who think everything is all wrong and ought to be revolutionized as to market systems; the optimists who think that everything is all right and it is dangerous to tamper with the machinery for fear we will gum it up; and then there are, I am glad to say, a good many rationalists who believe that there is plenty of room for improvement but that improvements should be made step by step, sanely and rationally. One of the planks in our platform is rationalism.

Lack of Stable Market Prices a Handicap

So far as the marketing of livestock and distribution of meat is concerned I think it is not too much to say that the greatest problem of all is the unstability of market prices, the fluctuating nature of market conditions. That has been mentioned in this meeting during the last day or two very frequently. It was mentioned in the conference which was held under the auspices of the department of agriculture in this hotel a year ago, more frequently than anything else. It not only has made it more difficult for the stockmen to operate than any other one thing, but it has created more dissatisfaction, more suspicion in their minds I think than anything else as to the soundness of the basis on which market conditions naturally rest.

Mr. Heard told you yesterday that the American National Livestock Association for years has been expressing itself at its meetings in favor of official reports on livestock and meat market supplies, prices and conditions. A number of the prominent state associations for several years have passed resolutions to the same effect, specifying the department of agriculture as the agency of the government which ought to compile and distribute current market information.

At this very Conference a year ago I recall that in a number of the sessions the need of more accurate and reliable market information was mentioned as one of the great needs of the solution of marketing problems; and the great obstacle to intelligent study and discussion of the problems of marketing and distribution today is the lack of reliable market statistics.

Mr. de Ricqles told you yesterday and showed you the curves which are so interesting, that the averages on which they were based were not true averages, but the best that could be obtained up to date and that better information was seriously needed on which to construct curves of that kind, although they do show the general tendencies very nearly as they are.

Functions of News Service

As the result of this demand, this recognition of the need of more reliable market information, especially as to the meat trade, Congress at its last session included in the agricultural appropriations an item for the purpose of collecting and distributing information as to the prices and movements of livestock and meats. The substance of it is this, to enable the secretary of agriculture to collect and distribute information relative to the numbers of marketable animals of the different classes and grades in livestock, grazing and feeding sections, the movements of livestock to the markets, the market prices and conditions pertaining to livestock, the supply of meat on hand and related matters. Any of us who are interested in the exact text of that bill will have no difficulty in finding it in the last agricultural appropriation bill, or I shall be glad to hand you a copy of it after the meeting.

Working Out a Plan of Operation

That bill became effective last August, when the agricultural appropriation bill was signed, and since that time we have been at work on plans for the organization of the work. We have conferred freely with all of the different interests concerned in the collection and distribution of this information. We have conferred with the market committee of the American National Livestock Association. We have conferred with the officials of the National Livestock Exchange whose president, Mr. McClure, spoke to you yesterday on behalf of the commission interests; we have conferred with the stock yards people, the railroad people, the packers, retailers and representative consumers as to the lines along which information was most desired by the various interests and the plans under which it might most effectively be collected and distributed.

That brings me down to the plan itself. We started on the basis that the kind of information which we should obtain first is that which is most lacking, and every one has agreed that the meat trade is the feature of the livestock and meat business on which we have the least figures today.

When a commission man from the stockyards goes out into the pens to sell a trainload or carload of cattle to the packer and the first bid and very likely the last bid is 25 cents lower than the day before, and he asks for the reason in the decline in the market he is told quite frequently beef market in New York City and Boston is off, it is a sick market, and consequently the price of beef cattle is lower. There are no published quotations on the beef trade in the East.

The commission man has no means of judging whether the demand for beef cattle is better than it was the day before or not. Consequently, the best he can do is to take the best bid he can get and let the cattle go. So from month to month you are in the dark as to the supply of meats in storage.

Cold Storage Figures Already Available

People have expressed themselves at this meeting within the last 24 hours very strongly on that matter of the manipulation of the meat and livestock markets by means of the stocks in storage, and fortunately the latter is one of the easiest things to get at with the organization of the machinery that the department of agriculture has built up. During the last five or six months monthly reports have been issued by the department of agriculture showing the quantities of eggs, butter and cheese in cold storage in the United States, and those reports are so nearly complete now that they are accepted by the trade throughout the country as the best figures of the kind that ever have been available.

Cold storage reports of apples have been published for nearly two years, possibly a little over two years, and practically all of the large storages in the United States are included in those figures.

Seeking Facts as to Meats in Storage

So we immediately set to work to extend this system of monthly reports of products in storage to include frozen meats and cured meats. The stock of fresh meat in the United States is an immense thing to undertake to compile and publish. I think we will get to it sometime, but we are obliged to work into this process step by step and I am glad to be able to tell you that our first report on stocks of frozen and cured meats is due to be issued either today or tomorrow, showing the stocks on hand December 1st, including all of the packing establishments under federal inspection in the United States, all of the intra-state packing concerns that are of sufficient size to warrant including figures in totals of this kind, and all of the public cold storages in the United States.

In order to place information of the daily variations in the meat trade at the disposal of the livestock market people and any others who have occasion to use that information, we have opened this week offices in New York, Boston and Philadelphia, at which our representatives, who are men thoroughly familiar with the meat trade, will prepare daily reports on the supply and demand and prices on the different grades of fresh meats in those cities. All information will be wired to Washington, tabulated and arranged and then wired to our representatives in the stockyards centers in the Middle West so far as we are able to place representatives at those markets, and also to any other livestock markets at which arrangements can be made with officials such as the secretaries of livestock exchanges, and to any one else who is willing to pay for the telegraphic service.

Public Will Have Information

The policy throughout the department in these matters is to make the information entirely open to the public. The only limitation is that the parties who receive it shall be willing to pay for this service so far as it involves telegraphic service and so far as it can be sent by mail all that is necessary is to ask to have one's name put on the mailing list.

I intended to say in the outset before describing our plans for the livestock and meat work that for 18 months or so a similar plan has been in actual operation covering 12 or 14 fruit and vegetable crops. The official who has charge of that work, Mr. Sherman, is here today and if opportunity offers later on I shall be very glad if he might have a chance to tell you something about it. I think there are something like 18 branch offices of that service in different cities in the United States and arrangements have been made with all the railroads in the United States whereby the division superintendents of all those roads telegraph to Washington every night the number of cars of certain fruit and vegetable crops that have been loaded on each division that day and giving the destination. By that means it is possible before nine o'clock every morning at Washington to compile a statement showing the movements of those crops throughout the United States for the previous day. That service has been received with the greatest approval by the entire fruit and vegetable trade and more particularly the shippers who are enabled thereby to determine the most advantageous markets to which to send their products. So successful has that service been that we have been besieged during the last year with inquiries asking why in the world we cannot do as much for the cattle and hogmen as has been done for the fruit and vegetable producers.

Securing Data on Sales of Meat

The reports that I have referred to, in speaking of the fresh meat trade, will be obtained from the buying as well as the selling side of the trade. A man in New York, for instance, will each morning from representative retailers and jobbers who buy from the large wholesale concerns, obtain from them the prices they are paying, and obtain from the large wholesale concerns the prices they are receiving; and from those figures, compile an average or range of prices for different grades of meats.

The present system of market reports on livestock no doubt is the most complete, extensive and probably the most nearly satisfactory of any market reports which are issued on any products, unless it be those of grain. The daily livestock market papers and the weekly agricultural papers which carry market quotations for years have been publishing quotations on the various classes and grades of cattle and hogs and sheep, which enables one to follow the markets with a reasonable degree of satisfaction; and it is not the purpose of the department of agriculture at the outset at least, and very likely it will be a long time if ever before the department will be in a position, to issue daily market quotations on livestock, considering the large number of grades and classes and the immense expense of handling that information by telegraph, the impossibility of getting it to Washington and back through the country in time to be of service to the buyers or sellers. The stock will be unloaded and sold before the information would be available. But there are some things about the daily reports from the stock yards in connection with which the government can be of a great deal of assistance.

To illustrate one important feature of that kind, I will mention an incident that occurred two weeks ago last Monday, I think it was, at the Chicago stockyards. The morning bulletin on livestock receipts showed 30,000 hogs on the Chicago market. A few hours later during the development of the market the bulletin was changed to 40,000 hogs, because the incoming trains were running "hogier," as the market people say, than had been estimated. What was actually known on that morning, or any other, at the Chicago market or any other of our large livestock markets, was that there were a certain number of cars of livestock reported by the different railroads coming into the market. The only estimate that could be obtained, the only estimate of the number of cattle or hogs or sheep on the market that can be obtained under present conditions, is based on the total number of cars of livestock coming into the market. That is why you often see 28,000 cattle reported when the official figures later on show only 23,000, so that the market is being conducted on a basis of guesswork.

I admit that the estimaters do surprisingly well with the figures that they have; but here is where Uncle Sam can step in and ask the railroads to furnish information which they are not obliged to furnish and have not shown an inclination to furnish to the stockyards companies or the livestock exchanges or anybody else. It is entirely possible to know exactly at seven o'clock in the morning, or very nearly exactly, just how many cars of cattle, how many cars of hogs and how many cars of sheep ought to arrive at the market that morning, and how many of the hog cars are double decks and how many single decks and how many of the sheep cars are double decks and how many are single decks, so that when the telegram that is sent out from Chicago at seven o'clock in the morning, giving the estimated receipts and the market prospects for that day, that message will be based on actual receipts rather than on estimated receipts. That can be done through arrangements which already have been perfected with the railroads. From their dispatchers at the passing points from two to three hundred miles out of the market, where the bulk of this stuff comes through, our office at the stockyards will receive messages showing the number of cars of every kind of livestock, instead of merely the total numbers of livestock cars in those trains.

So we are establishing this week an office at the Chicago stockyards; and within ten days or two weeks expect to have offices at Kansas City and Omaha stockyards. Then as fast as our funds will permit and as fast as the efficiency of the service warrants, offices will be located at the other stockyards in the order of their importance, together with the demand that seems to exist at and surrounding those markets for the kind of information that we will be in position to give.

A Way to Have More Accurate Knowledge

At present the livestock trade of the United States is based almost entirely on the Chicago market. No other market usually turns a wheel until they hear from Chicago in the morning, and not only that, but every hog buyer at every railroad station in the United States, almost to a man, waits for the morning message from Chicago before he starts in his force to buy hogs, and when you consider that fact—well, I intended at that point to say that in addition to Chicago you very seldom see on a bulletin board or in the market papers a summary of more than six or seven of the markets. Chicago and the river points are taken as the basis, but mostly Chicago. In figuring the annual summaries of statistics of the markets we find the 12 principal markets included, sometimes 14, but our Mr. Simpson investigating and making a survey of public stockyards in the United States has found 35 or 36 public livestock markets at which livestock is sold on commission, and there are about 25 more of importance at which considerable livestock is bought and sold, worthy of the name of civilized livestock markets. And just as it would be impracticable to base weather reports for the United States on what is happening in the Mississippi valley, so we think that although Chicago and the river points are a very good barometer indeed of the trade it will be a great deal better to have at hand every morning information of 36 markets instead of 6. And later when the information can be organized and promptly handled there is no reason why we cannot include 60 markets as well as 30 or 35.

I was astonished recently to be told that the morning estimate that goes out of this market giving a prospective market for that day is lower than the actual market proves to be later in four-fifths of the cases; that is, four days out of five the estimated market which is wired over the United States is lower than the actual market proves to be. And when you think about all of these local dealers starting out in their Fords, as well as all of the other centralized markets waiting on Chicago, you can realize what that means to the disadvantage of the original owner of the livestock of the United States who sells on that day, or on those four days out of five.

While it will take time to improve the conditions, just as it took a long time to establish an efficient weather bureau which would be taken as standard rather than Mr. Hicks' weather reports, so it will take some time to get this work built up to a point that will be thoroughly satisfactory. But we are thoroughly confident that it can be done, and those with whom we have conferred, representing the largest livestock marketing interests and livestock producing interests in the United States, have agreed with us that that is thoroughly practical. I said we have no thought of substituting daily livestock market report so far as the prices of the different classes and grades are concerned for what is being done so well already and where it takes a force of 30 or 40 men at each market to handle and publish that information promptly enough to be of service, but we are convinced that within a very short time after the inauguration of this plan with our offices in the eastern cities of consumption and the middle western public livestock markets, it will be possible to show from week to week, at least, the comparative prices of livestock of the different grades and the fresh meats and cured meats of the corresponding grades. One can then see at a glance whether the variations, the ups and downs, in prices of meats are corresponding reasonably close to those of livestock, or whether there are variations that call for an explanation.

So instead of taking statistics of a year or two ago and trying to see whether conditions then were what they ought to have been, we will follow it from week to week and undertake to correct any conditions that it is very apparent are out of joint.

German System of Standardization

It occurs to me at this point that what the Germans are doing may offer some encouragement to you as to the feasibility of this in case what I am saying appears visionary to any of you, because of this departure from anything to which we have been accustomed. For many years the Germans have been publishing weekly bulletins on livestock and meat prices in which they have worked out a very complete classification of livestock and meats. They even go so far as to plot the curves from week to week showing the relative variations in the raw material and the finished product under letters A, B, C, D, E, and then give a key to their classifications, describing them in detail and demonstrating that standardization and classification is possible. The question was raised in this meeting as to whether it is possible to standardize cattle or meats. Some doubt was expressed as to the possibility of that, but it has already been done, and as I see it, there is no question about it whatever.

Reporting Miscellaneous Facts

I have spoken of daily reports and weekly reports and I have spoken of monthly reports on the meat supply, and in addition to that monthly report of the meat supply there is a good deal of other information which is needed seriously by the livestock trade and more particularly by the producers. The number of cattle on feed and on grass in the different producing sections of the United States is an important thing. I was told by one of the largest cattlemen in the Northwest that if he knew what was coming out of the Panhandle and out of New Mexico and Wyoming, it might make a difference of six weeks in the time he would start his roundup. Of course he knows what the market receipts at Kansas City and Fort Worth are, but those total receipts show nothing as to the kind of cattle that are being received there. By means of the methods that are now used by the railroads in determining the numbers of cattle fed along their lines in order that they may supply cars at the right time, I should say that some railroads, some, do not seem to look forward much on their car supply. But interviewing the livestock agents of some of the railroads we find that their desks are full of figures which if they could only be brought together and properly tabulated and analyzed would be of immense value to every cattle feeder and every cattle grazer in the United States who has a carload or more to ship. Our plan includes that feature to be worked out through the agency of our men at the different livestock markets and through reports, to be furnished by lists of men who are qualified to give exact figures. For instance, we will secure the number of cattle for the New Orleans feeding district or the San Luis valley; and the number of cattle on feed in the cotton seed oil mills district in the United States, as compared with a year ago or a month ago; and the number of cattle on feed at the beet sugar factories, the number of lambs on feed at those mills; the number of cattle on feed at the distilleries. All of those and other items, which I will not take the time to mention, compared with a year ago and with previous months, we think will furnish a valuable index of livestock market conditions which at present is entirely a matter of mystery to all of us.

The shipments of stockers and feeders from the livestock markets to the country is another thing that can be reported a great deal more promptly and accurately than is done at present. Mr. Simpson has found in working with the stockyards companies, in compiling their monthly reports, that there are very few of them that keep the figures of stockers and feeders separately from the figures of total shipments. He has succeeded in persuading a good many of them to separate those figures, and it will be possible to persuade a great many more of them to do likewise. A monthly or perhaps a semi-monthly or possibly a weekly report of those shipments taken together with the other information I have no doubt will contribute just as far towards throwing light on livestock movements and conditions in the United States.

The bureau of crop estimates which for many years has been compiling sundry estimates of the different crops and their condition throughout the United States has never attempted it with reference to livestock, because their funds have not been sufficient to do so. There have been demands from all over the United States that monthly estimates of the livestock in each county of the country should be made just the same as the estimates on corn and wheat, and an arrangement has recently been made in the bureau of crops and estimates to conduct a report of that kind. It is our plan to bring all of this monthly information together into a monthly livestock report similar to the monthly crop report that is now issued by the department. Lest some of you may be skeptical as to the feasibility of that monthly livestock estimate that I mention, I want to say that we have undertaken at the outset to limit the correspondents from whom that information will be obtained to practical stockmen and others in the livestock industry, in the different counties in the United States, so that it will be expert information and not merely guesswork sent in by some county correspondent who is supposed to report for all kinds of crops and livestock.

We are fully convinced that within three months at the outside a monthly livestock report of that kind, including the estimates and actual movements of feeders in certain sections which feed regularly, the actual numbers on grass in certain grazing sections, all can be placed at the disposal of the entire livestock industry within a week or seven or eight days at the outside after the first of the month; and above all the purpose will be to handle this information in such a way that it will be of benefit to the stockmen themselves.

Will Reporting Benefit Producers?

We sometimes hear people say that all these government reports do the speculators more good than they do the farmers. I do not think it is the sentiment of this meeting that that is true of the work, posting them as to how they can use it to best what I have said about our efforts to throw light primarily on the meat supply and demand, you will recognize that the information we are proposing to obtain will be of such a nature as to aid the selling side of the trade as much if not more than the buying side of the trade at the livestock markets. Organizations like this meeting and other organizations of national and state scope can be of immense aid in carrying out this plan by acquainting the members of the organization with the nature of the work, posting them as to how they can use it to best advantage, and by keeping in touch with us through your officials to make sure that we are making no blunders, or at least the minimum number of blunders. We are sure to make some mistakes but give us the benefit of your counsel and criticisms.

How to Use the Information

An illustration of the use of this kind of information came to my attention recently. I do not know whether Dr. McClure of the National Wool Growers' Association is in the room. If he were he could tell you something of the work of that association in entirely revolutionizing the market of lambs. Ten or fifteen years ago the bulk of the northwestern lambs came to market from August to October—possibly August and September or September and October. The lamb growers recognized that they were simply cheating themselves by throwing all of their product on the market at the same time, and through the systematic efforts of that association persuaded the members to build sheds and provide feed and have the lambs come in February instead of confining their entire lambing period to April and May. And the marketing of northwestern lambs has been distributed through five or six or seven months —from June to November—instead of dumping all those lambs on to the market in a period of sixty days. Although there are limitations to the extent to which that can be carried out, nature has fixed the grazing season and the crop season in such a way that we can hope to make the marketing a continuous feature throughout the year. What has been done in regard to the marketing of lambs can be done with regard to the marketing of cattle and the marketing of hogs.

THE COMPETITIVE PUBLIC METHOD OF MARKETING LIVESTOCK

M. L. McClure*

I want to state the attitude of the National Livestock Exchange on the matter of the federal investigation of the livestock business and packers, incidentally, along with that. Before the president of the National Livestock Exchange went to Washington at the request of the market committee of the American National Livestock Association, he obtained the consent of the executive committee of that organization which consists of one man from the 17 principal markets in the United States. He went to Washington and made a statement before that committee. At the annual meeting of the National Livestock Exchange held last May, that meeting endorsed not only the position taken by its president, but also endorsed the very words that he said at that meeting by a resolution; and it was adopted unanimously. At one time some of the individual members of that association wired to Washington and objected to it. However there were about as many in proportion in the livestock business themselves, the feeders and the raisers, who opposed the resolution as the commission men.

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* Mr. M. L. McClure, of Kansas City, Mo., is the president of the National Livestock Exchange. Speaking for that body his views carry weight.

A scientic method of marketing livestock is just as important as the scientific breeding and feeding of livestock.

If the present system of marketing on the central competitive markets is the best, it should be supported, and the efforts of certain packers in trying to break down the influence of the price-making system by going to the country to buy their supplies should be discouraged. The open competitive system can only be sustained by arousing public sentiment through publicity. Producers must recognize it is to their interest to support the open markets and refuse to sell to the packers in the country.

The present competitive system of marketing livestock at public, central stockyards is a direct growth of natural laws and answered the call of necessity.

Fifty years ago the method of marketing livestock was for the individual to sell to his local butcher and the individual had but few animals to market. There was also the drover, who bought in certain localities and drove his livestock in larger cities. The butchers and drovers respected each others territory, and there was not much, if any, competition. The livestock industry then was not an important one. There was no publishing of market prices that reached the general public.

Transformation of Livestock Marketing

Finally railroads were built and speedy transportation of livestock and meat products was made possible. Packing houses were built; methods of refrigerating and cold storage were invented; the byproducts that had been lost before by the country slaughterers now were saved. Then the raising and feeding of livestock from being a side issue on the farm became in itself a business of vast importance. Large fortunes have been made by the producers and the manufacturers of the products, and the consumers have been able to secure at all seasons of the year a valuable, healthful food.

To handle this business stockyards and markets were established at suitable places, selected on account of transportation and proximity to the producing territory. These stockyards were needed as depots to unload, shelter, feed and weigh stock. At these yards buyers congregated; markets were established, and packing houses built. It became necessary to employ salesmen who could be relied upon to classify the stock, and, who, being on the market all the time, were familiar with market values and were experienced and good traders. Commission men became necessary to receive the stock, yard it, pay the freight, and see that it was fed and watered; and when sold, weighed; and to collect the proceeds for the shipper from the various parties to whom the stock was sold,—commission men who knew the buyers who would pay for the stock sold to them, as well as the shipper. So title was assured to the buyer and a knowledge that proper disposition would be made of the proceeds.

How Commission Men Aided Development of Industry

It also became the duty of the commission men to keep their friends in the country, who are their customers, informed in regard to receipts and price conditions on the markets. So market papers were established to publish the sales made that every one who wished could know the price obtainable on the different markets. Rules governing the buying, selling, weighing, docking, paying for, and generally conducting the business were necessary. Hence, livestock exchanges were organized to enforce these rules and to eliminate crooked trading and unreasonable charges, and to establish a speedy arbitration of disputes and otherwise protect the patrons of the market from irresponsible parties. Inducements were made to establish new markets and obtain packing plants at them, until now there are 17 central markets in the United States where there were marketed in 1915 12,416,750 cattle, 30,784,903 hogs and 15,108,658 sheep, with a market value of over a billion and a quarter dollars. All these were sold under the competitive system and the prices published to the world. Local conditions at these yards are not able to make the price for the reason that all sales at all the markets are published and the buyer will go where he can buy the cheapest and the shipper where he will receive the best price. Hence, as in wheat, corn and cotton, these published market prices practically keep a level market all over the United States.

Present System is Safe and Cheap

It can be said for the present competitive system that it is safe. The loss caused by irresponsible marketing agents through their dishonesty is practically nothing.

It is cheap; commissions on stock are only from forty one-hundredths of one per cent to one per cent, owing to kind, quality and price. The stockyard charges collected by the stockyard companies as yardage on stock, based on present prices, are from fifteen one-hundredths of one per cent to one per cent.

At all these yards a market is provided for all classes, kinds and conditions of livestock, not for just the fat ones but all kinds, just so they can walk over the scales; even the deads and cripples have a market value. These markets are not restricted, but are free and any one who wants to buy and sell is welcome there.

Argument Against Country Buying

The packer who goes to the country to buy for his immediate needs is not an active buyer on the market, going out late in the day to buy, reducing competition, and thus controlling prices. By selling in the country you hurt yourself because the packer is a business man and can buy from you cheaper in the country than he can on the open market, or he would buy on the open market where it is the most convenient. You also hurt the whole system as it will restrict the open competitive market and every one on it will have to sell cheaper.

Buyers bid on two to five times as much stock as they get on the open market.

To obtain the best results all livestock for meat purposes should be offered for sale on some of the open competitive markets. To sell at home destroys that much competition. Whoever buys it does so without competing with any one, and if the buyer was compelled to go to the open market, he would have to bid against others.

Livestock marketing cannot be a success with half being marketed in public with competition and half by private sales. The private unpublished market, being unknown, would soon destroy the value of the publicly quoted prices obtained on the market.

The price for which every fat animal sells in the country to the packers or any one else is based on the published market report at some public market. If these public markets were extinguished, the country seller would be where Moses was when the lights went out as far as values for livestock are concerned.

Competition Essential to Public Market

What is said of selling in the country is also true of the system of shipping direct to private packing house yards and letting the packer set the price he will pay. This way of doing business is too much of a strain on human nature. The buyer is governed by the prices published at the open competitive market or the shipper would not get enough to buy a "Henry."

The successful public market absolutely depends on the active competition of the buyers. I am sorry to say the competition among the fat stock buyers is not as great as it was a few years ago. The United States government had inspectors at 44 fewer plants in 1916 than in 1912. It has been charged that the five large packing plants are not very earnest in their competition, yet there is competition on these open markets between the large packers, small independent packers, shippers, feeders, exporters and small abattoirs (there being a total of 1,279 such plants in the United States). It is not a one-man bid market as in the country.

Publicity Will Aid Producers

The free working of the law of supply and demand is all that can be asked. We can see the supply that is offered on the market. Now let the roof be taken off of that all can see the demand. This can only be done by government publicity.

Meat products are no more perishable than wheat or corn. It may cost a little more to store them but not as it would cost to hold the stock at home and feed it. Government tests show meat can be stored for a period of over two years or longer with but little shrink and cost and yet be good food. Hence there should not be violent fluctuations from day to day as the supply of livestock in the country does not change rapidly. The good God who causes the rain to fall, the sun to shine and the grass to grow, created the condition that causes the heavy receipt of livestock in the fall, which must be overcome by feed or cold storage.

Why Federal Investigation is Needed

I have favored an investigation by the Federal Trade Commission of the general livestock situation, the raising of stock, the feeding, the marketing and the manufacturing of meat products. Let us find out about these things in a systematic manner. Let the commission tell us after they have made a thorough inquiry where the profits are, and what causes the losses. We would like to know why prices in February, 1916, when receipts were light and following light receipts were lower for fat cattle than they were in October, 1915, when the receipts were heavy and following weeks of heavy receipts.

While the commission has not yet been ordered to make an investigation of these matters, the fact of presenting the matter to a congressional committee last spring, asking for the investigation, accomplished much good. It did good to hear from the ''grass roots,'' as we say out West. Some of the things complained about have been voluntarily corrected, and marketing has shown corresponding improvement. For this the producers and shippers should thank Congressman Borland as well as the committees of the various livestock organizations. If an investigation will show the packing business to be a profitable one, would not that induce others to build plants, there being much money now seeking investment? Or why not establish plants by coöperation of those who have millions invested in livestock and thus create competition? If necessary, do with less livestock, feed less, and have some money invested, that will make more competition for what you have to market.

Stability of Price Demanded

The federal reserve bank has given us stability in money matters. What we need is a method devised to create stability in livestock market prices. Will publicity do it under government supervision? Can competition be created by coöperation in establishing more packing plants and by extending the cold storage capacity so when there are heavy receipts, the products can be stored and sold when receipts are light? This would be a great blessing to the consumer, as the additional cost for the storage that would have to be paid by the consumer would be less than the actual market fluctuations. Some method will have to be devised to guard against the avariciousness of the average man on this cold storage proposition. However, I am not in favor of hasty permanent legislation to correct a temporary condition.

There is one thing we can all do now that would help the situation without legislative action, and that is sustain the competitive public method of marketing. Do not wreck a system that is so well established. If the system is wrecked, it will mean chaos.

SELLING THROUGH COÖPERATIVE LIVESTOCK SHIPPING ASSOCIATIONS

S. S. Beach*

The chairman has introduced me as a farmer. I live one and one-half miles from the little city of Hutchinson, McLeod county, Minnesota. I milk my cows night and morning, and deliver my milk at the creamery, and deliver my hogs to the coöperative shipping association; and so I come to you as a practical, every-day farmer. As I attended the meeting yesterday and listened to the different speakers as they discussed the different subjects, I began to think that my ammunition was not really big enough; it did not seem that my ammunition was the right caliber, or that the gun I carried was big enough to shoot very far. Nevertheless, I have come to you with my message. It may not appeal to the big ranchman who has thousands of cattle and a thousand hills; it may not appeal to the great sheep grower out in the far west; it may not appeal to the feeder, and I am quite sure it will not appeal to the ex-stockbuyer. Now, this coöperative movement of livestock shipping associations, is a spontaneous growth in the State of Minnesota. I believe that we have the honor of having had the first coöperative shipping association that has developed as an organization. It is just like little Topsy in Uncle Tom's Cabin, who never was born. It has just "grow'd". Nobody promoted it. There was no Society of Equity behind it, and no guarantee or allowance of any state university. Nothing of that sort has fostered the growth of this coöperative movement. As I say, it is spontaneous. Now, I will give you the history of it.

About 25 or 30 years ago up in Minnesota James J. Hill, the great empire builder, conceived the idea that he would like to foster better farming in the Northwest. It was all wheat growing country at that time, and James J. Hill, you know, was one of the great stock growers. He used to come down here to Chicago and walk off with blue ribbons for his fat stock. So he wished to get the farmers along his lines of roads interested in better stock growing, and therefore he put a thoroughbred bull at every station along the Great Northern railway from St. Paul to St. Vincent.

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* S. S. Beach is a farmer of Hutchinson, Minnesota and president of the Hutchinson Coöperative Livestock Shippers' Association. He is also president of the National Bank of Hutchinson.

How Purebred Bulls Started Coöperative Shipping

One of those thoroughbred bulls was placed in a community of Scandinavians and Irish in the vicinity of the little village of Litchfield, in Meeker county, Minnesota; and instead of letting those bull calves die at the strawpile, or selling them as carrion, etc., as a great many did, this thrifty community raised a few carloads of highgrade steers in that vicinity. They felt as if they were too good, or the local stockbuyer was discriminating against that kind of stuff, and did not really give them a square deal; and Mr. H. L. Halvorsen and his farmer friends said, "Here, we will ship this stock ourselves, and we will go down to South St. Paul, or to Chicago, and put it on the market ourselves." So they did, and the result was very satisfactory. Then the success of that arrangement was passed around through the community, and so the other people around there, their neighbors, said, "Mr. Halvorsen, next time you ship we want to go in with you." And they did, and the result was, Mr. Halvorsen tells me, that the first year he shipped 12 carloads of stock for his neighbors.

It kept on growing in that way, until it got to something like 30 carloads of livestock that were shipped through Mr. Halvorsen. After it got to that point they conceived the idea that it would be a good proposition to make it a regular organization, so they organized the present system that exists as the Litchfield Coöperative Shipping Association, and drafted their bylaws, and started out as an association. They have kept right on doing business, and that association is still going on and shipping about 200 carloads of stock a year.

Hutchinson, McLeod county, Minnesota, is just 22 miles from Litchfield. At Hutchinson, Minnesota, we had achieved satisfactory results along several lines of coöperation. We had our coöperative insurance that had been going on about 35 years, with two strong companies carrying any risks in the community at 10 cents a hundred. We succeeded there. Then came our coöperative creamery, the second oldest organization in the State of Minnesota, turning out 250,000 pounds of gilt-edge butter, that sells for 37 cents a pound, on the average, during the year, and paying 47 cents a pound for butterfat. That is what we achieved along the line of coöperative creameries. Next came our coöperative elevators, which has been going for about 15 years, and is one of the very successful coöperative elevators among the 322 that we have in the State of Minnesota. We thought then, since we had succeeded along those lines, why not have a coöperative shipping association?

Starting An Association at Hutchinson

And so I conceived the idea myself that we would organize a shipping association at Hutchinson. I started the ball rolling this way: I put a notice in the Hutchinson Leader, stating that on next Thursday there would be a mass meeting of the coöperative creameries at Hutchinson, for the purpose of considering the organization of a shipping association. Well, it turned out that perhaps 40 or 50 men, representative farmers of that community, got together, and we had Mr. Halvorsen come over and explain the workings of this coöperative movement. It sounded so good and so practical that we just organized right then and there on that day, and elected our board of directors. Then we said:

"Mr. Halvorsen, when are you going to ship your stock?" He replied:

"Next Tuesday".

We went up in an auto and stayed with Halvorsen all that day, and he shipped his carloads of stock, and it was so satisfactory, and we heard no complaining or kicking among the farmers, everybody appearing to be satisfied, that we came right home and put our shipping association to work, and it was in operation inside of a week.

Shipping Association Easy to Form

Now I am going to tell you how easily it is done, and how simple it is. This organization required no capital. It did not have a dime of its own, the one we formed. I dug right down in my own pocket and took out 50 cents to buy the first minute-book of the association. I went over to the Leader office and got credit for the first dodgers that I put out to advertise the matter. They trusted us for the advertisements. So, as I say, it requires no capital to start with.

Inside of a week I put out a notice about taking stock under the coöperative movement. The result was that the very first shipment, we had two carloads of stock that came into the shipping association. Now, I want to tell you about the conditions that existed in our vicinity, and what we sought to remedy. What we sought to do was to eliminate seven stock buyers who were buying stock in our vicinity, driving six days in the week, with seven livery teams, driving perhaps a 1,000 miles over the country in order to solicit the stock which was being sold each week. I have made an estimate that if we took in 10 carloads a week through our association, with the old conditions prevailing that existed 5 years ago, the buyers would have to drive 1,050 miles. Now, that is an economic waste to any community. Those buyers cannot go around that way and spend their time for nothing. They have got to have a profit. I do not think that the average stock buyer is a crook, or a thief, or getting abnormal profits or anything of that kind; but he is a supernumerary now under this new economic condition. So with this association we have eliminated six of those men, and we took one, the seventh, the straightest, most conscientious and most obliging—the best mixer—and made him our buyer, our manager. When we elected him and appointed him as buyer, we put him under a bond of $5,000, and we put our treasurer under a bond of $5,000.

After we got this organization in shape, and got these four men appointed, and got everything under way, we were ready for business; and we began to ship stock. Now, I will tell you, the fight went on in lively fashion. Those six stock buyers died hard. They were not lightweights, either. They were shrewd business men, and some of them were heavyweights financially in this community among the farmers; and they died hard. But they did die and we had no more of them in the community.

Result of Three Years' Business

At the close, as I say, of that first year under this association we shipped 179 carloads. The next year we shipped 202 carloads, and the next year 225 carloads, and this year we expect to ship in the neighborhood of 300 carloads through this shipping association. In our association we farmers did not know that we had any grievance against the packers at all. We did not realize or think that we had any grievance against them, because the stockbuyer never told us anything about it, that there was any discriminating in grading, and that we did not get a square deal all along the line. But let us see. Up there in our shipping association, as our buyer goes down with a shipment, we farmers go down there with him. I will tell you how we go down there. If we ship 10 carloads to South St. Paul, each car is entitled to have a man on a pass. And so our buyer takes the farmers down to South St. Paul, and they go down on the markets and see the stuff sold. The farmers are educated men. They know a whole lot more about the stock business than they did five years ago. They go down on the markets, and they know the difference between good stuff, medium stuff and poor stuff, and how to grade calves, and how to grade hogs. They have learned all those things.

Something Wrong at Central Markets

So our farmers began to wake up to the fact that there was something wrong with the packers down there at South St. Paul; but the grievance is not so serious yet that we are grieving over it very much. But I will say to these big shippers and all these big stockmen, and others: You want help, do you not? You want sympathy? You want votes? You want us to line up all along the line? Well, now, we are going to do it, because we are organized. These associations have grown so rapidly that we have got 300 that have reported to the agricultural department at South St. Paul; but I was talking to Mr. Wilson,* and I said, "Mr. Wilson, you have not enough. How many have reported from McLeod county?" He said, "Four." I said, "They have got eight." "How many have you got reported from Carver county?" He said, "One." I said, "They have got five; I know it." That was in my own neighborhood, and I knew those things. So I have no doubt that in the State of Minnesota there are no less than 600 of these shipping associations that have grown up in the last five years. It has been so popular and grown so rapidly, that the State of Minnesota, through the extension division of the agricultural department, has taken it up, not to agitate, not to send men out to advise these farmers who are organizing shipping associations; but when the farmers have discussed this matter, and come to the conclusion that they want a shipping association in their vicinity, the State of Minnesota sends a man out. And so the State of Minnesota had me out on the road for three years, three winters, answering the calls of these farmers all over the State of Minnesota, to come and tell them how to organize these shipping associations. Therefore, I have to my credit something like 60 in the State of Minnesota that have organized in the last three years.

Handling Clerical Work

Now, at this stage of the game I would like to explain to you about the clerical work of this proposition, and just how simple it is. It is just this simple: Mr. Smith says to Mr. Jones, "We are going to ship our stock together;" and in doing this thing, when they organize this association they draw up a set of bylaws, which are very simple. I have a copy of them here with me, and if any of you people are interested enough to desire to carry this gospel back to your homes and introduce them among your farmer friends there, just write to the University of Minnesota and get Bulletin No. 156, which explains this thing in detail. We have developed a system of accounting, very simple, indeed, so that any ordinary man who can read or write, and knows the multiplication table, can keep these small accounts, and keep a strict account between the patrons of the association and the association. I am going to show you just how simple it is, and how it works out. Let us take John Smith. He lives everywhere, and is a very well known person. John Smith is the first man to come to the local yard with his stock on Monday morning. He takes it in Mondays and Thursdays, twice a week. He comes there first with his stock. His stock is weighed. Our manager says to Mr. Smith, "Your name is Smith. Your postoffice address is Rural Route so and so. You have five steers." That is the number, we will say, and they are weighed. Then the weight of those steers is put down here, and the number of the steers; and Mr. Smith being the first man in in the morning, he is Patron No. 1 for that day, for that shipment; so down in a little pamphlet, specially printed for such business, he puts the Roman numeral 1. After those steers are weighed, and when they are on the scales, our manager takes a pair of shears and cuts on the hip of each animal a hair brand, which is his number, No 1. Those steers carry that brand with them to South St. Paul.

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* Mr. Wilson is in charge of agricultural extension work of the University of Minnesota.

Now, suppose that Mr. Smith also has 10 hogs. Those hogs are weighed, and the number of the hogs is put down, and the grade of hogs. Now, we grade hogs there at our local market. If they are such as weigh about 150 pounds up to about 300 pounds, and such as are top hams, they are put down as No. 1 hogs, and will sell for a certain price on the market. Our Manager is down there every week and he is posted. He knows about what hogs are top hogs, and so if those hogs comply with that description, he puts down the No. 1, indicating that they are No. 1 hogs, and what they weigh,—10 hogs at 200, 2,000 pounds. Those hogs are not marked. They are sold by grade. So that man, Mr. Smith, has got 2,000 pounds of hogs, all No. 1. That is all put down. Now, suppose Mr. Smith also has a springer, a cow. She is weighed, and her brand, No. 1, is put down on this tablet. After all of Mr. Smith's stock has been delivered, weighed, graded, branded and turned into the stockyards, that deal is closed for that day. The manager tears off the slip and give that to Mr. Smith, and that is all that Mr. Smith gets until that stock is marketed in South St. Paul, or Chicago. Then the returns come back, and all overhead charges are charged up against that shipment, and Mr. Smith gets all there is in it minus those overhead charges. All intermediate profits are eliminated. We do not need any profits in an association where, as I told you, we do not need any money.

Protection Against Losses

There is, however, what might be termed an exception to that, which I will explain to you. We have a small reserve fund, or a sinking fund, as we call it, so that in case these animals that Mr. Smith brought should be killed, crippled, or something happen to them on the way, either while in the hands of the association, or in transportation, we can pay him for that stock, minus the overhead charges. We have at the present time about $500 in our reserve fund. I came down on the way here with our manager to the South St Paul Yards with a consignment of hogs, and I said to him:

"Ed, how much have we paid out of the reserve fund this year for losses?"

"We have just lost two hogs; that is all we lost last year, out of over $350,000 worth of business," he answered.

Now, I say it is necessary to have that fund. We originate it in this way: According to our bylaws, we may take out one cent from every 100 pounds of shipment, and put it into that sinking fund for that purpose. But we do not do that at Hutchinson, Minnesota. Our stockbuyer has learned the business so well that he has learned to take advantage of conditions as they exist on the market. He takes advantage of those conditions, because he has learned about how much it costs to ship different grades of hogs and cattle under normal conditions; so he fixes an arbitrary rate that he charges up to that shipment. If all those conditions are favorable, or more than favorable, he throws it in as a profit and throws it into the sinking fund.

Now, I will tell you how he makes that profit. He takes an arbitrary rate on a maximum carload, 22,000 pounds on a 44-foot car, and that would cost, from Hutchinson, Minnesota, to South St. Paul, at 11 cents a hundred—call it 20,000 pounds as a maximum, that would be $11—that it would cost to ship a carload of hogs from Hutchinson to South St. Paul, of 20,000 pounds. So he charges up that shipment at $11. But if he can put in that two or three or four thousand pounds more, of course, he does it; and the presumption is that that is saved, because if he has to check out the minimum, or less than the maximum, it would be a loss. So there is that over-freight, which he throws into the sinking fund and calls it a profit. You know, shipping big carloads it does not cost any more to sell a 36-foot car loaded beyond the maximum, for commissions, than it would to sell a small car at the maximum. So he loads these big cars, and takes out all commissions saved in that way; and that is a clear profit. That is absolutely a clear profit, and he throws that into the sinking fund as a profit. And also, on the switching charges, it does not cost any more to push a big car than it does a little car; so that if we can ship a big car, we save just that much more, and throw that into the sinking fund. So that in that way we have created, under those conditions, our sinking fund, which pays whatever losses there are.

Paying the Association Manager

There was one thing I intended to tell you about, but overlooked, and that is with regard to paying our buyer. We pay our buyer six cents a hundred pounds on the whole weight. He pays his own expenses to and from the market. He hires his own helpers at the market, the boys to help load the cars; and he hires his own stenographer. You say, ''Oh, my, my! That is a whole lot to take away from that man. He does not make much out of it.'' Well, the first year he got $1,500 or $1,600 out of it. He did not have to have any clerical help then, for it was not quite so large a volume of business. The next year he got from $2,200 to $2,300. This last year he got between $2,600 and $2,700. This year he is going to get more than $3,000. And, as I say, he pays all his charges out of that.

Now, if you are going to organize shipping associations, I want to warn you right at this stage of the game not to hire your buyer on a salary; for if you guarantee a man $1,000 or $1,500 and the volume of business does not come up to expectations, where will that money come from? Hire him on a commission basis, and then he goes in as a copartner with the men for whom he is working.

Mr. Lasater (of Texas): Is he a buyer or a shipper?

Mr. Beach: He is just a shipper, not a buyer. I have been calling him a buyer, because that is what he was before he began working with us; but the expression is really a misnomer. We do not buy any stock at all. I want to make that very clear. We do not buy. Now, I want to touch a little on that. When we first started out we had a cosmopolitan population up there, —Germans, Norwegians, Polanders, and everything else that goes to make up a cosmopolitan population. Some of those old country people are very conservative, and they were a little bit fearful about letting their stock be taken into the hands of this association, with this little slip for their only pay. At first they hesitated a little, and so when they brought in their stock they insisted upon having the cash. So we did pay out cash. Now, you say, "Well, Mr. Beach, where did the cash come from, if you did not have any money to advance to those men?" It happens this way: I check up the business every month, I go over and check up the business of the association, and I am surprised to find that we have got a bank account, subject to check, in the two banks, the Farmers' National and the Bank of Hutchinson. I tell you, the banks like this business, because it meant keeping a nice balance there; and at one time I found $13,000. I have found from $10,000 up to as high as $13,000, subject to the check of the association.

But that is not the sinking fund that I told you about. It is this way: That stock goes down to South St. Paul; it goes down on Monday. It is sold on Wednesday, and our buyer, as I call him, comes back on Wednesday night; and on Thursday he goes to the bank and deposits the drafts for that shipment. Then he sits down and figures up the cost of the shipment, and figures out what every man's stock has brought, and sends out one of these statements, a complete statement of the transaction, and with it he sends a check for the consignment. Now, you see, that check is on the road about a week before it gets to the farmer. That draft lies there all the time in the banks.

Now, I will tell you another thing: Up there in that dairy country, where we are doing these things, we have got about

$5,000,000 worth of money belonging to the farmers there that they have got on deposit in banks; and they are pretty thrifty fellows, and have got so much faith in this association that they do not cash in very often. I was surprised when I checked up to find what I did find. One of the things I check up is outstanding checks, and I sometimes find five or six or seven thousand dollars' worth of such checks; and I also found a check the other day of $305 that had lain there a year. The farmer just thought it was good, and he was a conservative fellow, and he did not cash it. So all the time we have got that fund lying in there to do business with.

So when those farmers wanted money advanced, we had what we called an advanced check book, and we just gave the fellow who wanted his money a check, and that was paid for, and the man got his money. But they have got so much faith in the association now that that thing does not happen any more. In my checking up I have not found an advanced check cash in two or three years, because they have got so much faith in that line of business. That thing is done away with.

THE FARMERS' COÖPERATIVE PACKING PLANT AT ROCKFORD, ILLINOIS

F. A. Bingham *

The Farmers' Coöperative Packing Company of Rockford is one of the first which was organized in the United States. We enjoyed certain advantages in the building up of that particular coöperative packing plant. We were able to buy a very large plant, one of the best in the United States, that was already built. We bought it because it was in an estate, and had to be sold, and we saved about $200,000 or $250,000 on the actual value of the plant at the time we bought it, so that we were able to organize for only $400,000, where, as a matter of fact, if we had been compelled to build the plant brand new, it would have been necessary to organize for nearly a million dollars.

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* Mr. F. A. Bingham was one of the promoters, and is first vice-president of the farmers' coöperative packing plant at Rockford, Illinois.

Features of Wisconsin Law

We organized under the Wisconsin law; for this reason: I think it will be conceded everywhere, where people are posted upon these affairs, that the Wisconsin coöperative law is the model law of the United States regarding coöperation. Some of the special features are these: In the first place, no one stockholder and no one member can have, under any circumstances whatever, to exceed five shares. No one person can have, under any circumstances whatever, more than one vote. There is no way that that can be avoided. No person can draw, as a matter of dividends, earnings upon his money, regardless of the earnings upon his buying or selling to or from the plant, to exceed eight per cent. Those are the principal features. The reason for that is manifest. In the first place, you cannot have that matter controlled at any time by any combination. You can only have one vote in your hands, and you cannot vote by proxy, although you may vote by United States mail, if you are not able to be present; but no one person, under any circumstances whatever in the world, can have but that one vote, just the same way that a man votes for the president of the United States. That is fair, is it not? Now, if you are ambitious, and want to put money in there to control it, you are not greatly encouraged to do that, because under no circumstances, no matter how much the enterprise may make, can you draw out to exceed eight per cent. That is a business proposition.

Criticism of Illinois Law

Illinois attempted to pass such a law. At the last session of the legislature, you will find, if you will consult your statute book, that the legislature attempted to pass a law, or rather, told the farmers, perhaps, that they had passed a law, which was practically an exact copy of the Wisconsin law; but there was a mistake. They made a fatal error. What was it? They said, "As in any other regular corporation, the charter shall not issue until one-half of all the shares are sold, and 50 per cent of that paid in cash."

Now, that is all right for a $2,500 creamery, or perhaps a $5,000 store or elevator or something of that sort. But when it comes to organizing a coöperative packing company, with four or five thousand shares, which will take anywhere from a year to 18 months to organize, and with nobody with any authority in the world to spend a cent or make a contract of any kind, of course it is very evident we could not operate under that law. So it was necessary for us to go to Wisconsin and secure a charter.

As soon as our stock is subscribed, however, we intend to waive or discard the Wisconsin charter, and take out a charter in this state, because the operations under a charter in this state are all right, being practically the same as in Wisconsin. As soon as we have the stock subscribed, we are going to do that; but we could not organize and build up and buy a plant, and do the things that were necessary to be done to organize at that time.

It will cost you, under all circumstances, at least $100 to get into, for you cannot buy less than one share or more than five under any circumstances; but if you buy a single share you are a member, and that will cost you at least $100; and if each man takes one share, there will be 4,000 members in all in the Rockford Coöperative Packing Company; but of course there will never be that number, because there are many who will buy five shares, four shares, three shares, and two shares. But it is a true coöperative packing plant, and for not less than $100 or more than $500, it is easy to be seen that you put yourself in the position of being an absolute owner of a packing plant.

Big Profits of Big Packers

Is there any question in your minds about there being profit in a fairly well conducted packing plant? I do not think any of you doubt it at all. If you do, read the papers of recent issue, and see where one of our friends, with $20,000,000 of capital, just divided $80,000,000 of surplus among the stockholders of the company. I do not begrudge that to them at all. I am glad of it. The only thing I regret is that I was not one of the stockholders, that is all. But there are such things coming up every day. It will soon be January 1, now, and you will read in the newspapers what these men and other men have made in net profits, for they have to report to the United States government, and you will not read of any small profits either. It will run up into such figures that not only will they astonish us, but stagger us when we look at them.

Now, there is no question but what there is a handsome profit in the packing business. But, on the other hand, there is no truth in the statement that it is absolutely all a matter of velvet and roses. Your path is not going to be a bed of roses in operating a packing plant, but it is simply a business proposition. You go to some of your bankers and ask them. They are the fellows who will tell you. Ask any one today, outside of the three banks in Rockford, about the Rockford Coöperative Packing Plant, the Farmers' Coöperative Packing Plant, and their answer will be in substance about like this: "Oh, well, if it is managed all right, and run all right, it will be all right."

Of course it will. But what are the chances of operating it all right, and running it all right? They are first class.

We had the pleasure of shipping into the plant the day before yesterday our first carload of livestock. They will be killed Monday. We are only going to start in a very small way, because we have still got a considerable amount of stock to sell. Most of it is sold by notes, and consequently the notes are not all ready money, but they are all good; so we must move, though, slowly and carefully.

Employing a Working Staff

Now, what have we looked out for in advance? These things: We have a man who is not excelled by any one in this state to operate the office end of the proposition. He is already secured. He is an expert. We have a man to operate the mechanical end of it who is not excelled by any one in this state. We have a man to operate the stockers' department who has had years and years of experience, just as these other gentlemen have, and he is not to be excelled anywhere. He is the best man we can hire. We have a man for the fertilizer department who has similar qualifications, and we are hiring man after man, and we find the right men, who can take care of the right end of the business, each man his own particular end of the business; and when we start, we are just going to go right along. With regard to the question of marketing the products, there is nothing to it. There is no use of my wasting any of your time on that. You know that today there is a good market for all the finished products that we can produce, and a thousand others.

Now, this other question is going to come up, too,—the question of the big packers. Oh, yes, the big packers, the same kind of boogaboo that a little child sees in the black corner. The farmer sees the boogaboo of the packer. Did the packer ever hurt you? He never hurt me. I used to associate intimately with one of them, and I sat beside him in board meetings, and he was just as nice a fellow as I ever saw in my life, and just as kind-hearted; and it is the same with all the rest of them today. They are not going to hurt you, but they will coöperate with you if you will coöperate with them. Do not forget that. They are making the prices for you, and they are not going to be bothered with any little picayune business of yours, killing 500 or 1,000 hogs a day. Today there are almost 100 independent packing plants in the United States, and I defy any one to show me, by real honest proof, that any one of the great packers has interfered with them in any way, shape, manner or form during the last two years. I have no sympathy with the man who gets up here and tells you, ''These $80,000,000 trusts are just eating you alive, killing you, and getting verything that you have got,'' but does not give you any proof. Such generalities as that do not help us a bit.

What we should do is to use what little gray-matter we happen to have up here, and get down and act in a common sense way in our business, just as we do when we plan our government. If you think the packers are going to bother you, go down there and talk with them, and see if you do not find as fine a group of gentlemanly, straightforward men as there is in the world. Instead of doing nothing but planning to hurt you, they have built up a wonderful business that has made this country what it is, more than any other one thing in the world; and they are entitled to big profits.

Packers Make the Prices

Now, the only thing is this: They are getting a big profit. Why? Because they are just like you and me. That is the only reason they are getting big profits, because they are just like you and me. Now, that they are leaving the doors wide open, they make the price of the livestock, and they make the price of the finished product. It is true, of course it is true, and you would do the same thing, too. Day after day great quantities of livestock come into the packing houses, and they knock the price down. Would you not do the same thing? Yes, of course, you would. And when they have it all in the cellar, they naturally put the price up. Would you not do the same thing? Of course you would. Which one of you farmers will raise your hand and tell me that when you can get 95 cents a bushel for your corn, you will sell it for 75 cents a bushel? You do not need to tell me anyway, because I would not believe you. I am a farmer myself, and if I can get 95 cents a bushel for my corn, I tell the fellow who wants to buy it that he ought to make it 95½, and that is just what you do. The packer does the same thing. You have no business to kick. What you want to do is to get into the game yourself.

Now, we have got our packing plant going. Understand, I am not here trying to get you to come into this proposition, because none of you are near enough. We only take farmers within 50 miles from Rockford, but we do not get all the farmers, by any manner of means. We have studied this matter out carefully and thoroughly, and we know that by going out approximately that distance we can get a percentage of the farmers who will average approximately the rate of a certain number of hogs. We have worked this all out in a scientific way, and when we have secured approximately 3,000 or 3,500 people, we will have for the plant, for the year 'round, approximately what we can take care of.

Capacity of Rockford Plant

Our plant has a nice and easy capacity of 1,000 hogs a day, 250 head of cattle, and as many sheep and calves. There will be days when we can kill 2,000 and 3,000 a day. There will be days, however, when we will not kill 500; but it will even up nicely. We have 23 acres of land beautifully located, with three switch tracks, giving us direct connection with all the roads of Rockford, so that everything can go along very nicely. We will be able to take care of our business, and have no trouble about it. We are going to have our regular shipping days, and we will have a man at the different stations, and he will be hired on salary. There is another time when I do not agree with my friend here. He says, ''Do not put him on a salary.'' I say, ''Hire him on a salary.'' Now, if you can tell which one of us is right, you just whistle. But I say, hire him on salary. Why? We are going to keep him working six days a week. He is going to be at Station A today, at Station B tomorrow, at Station C the next day, at Station D the next day, etc.; and when he is not going around looking at livestock, he will be busy at the plant, for there will be plenty for him to do.

Now, then, you must pay the freight to your own packing plant. Suppose it was on your farm; what would you do? You would put the stuff in there, kill it, and then market it; but here you cannot do that. Now, by combining, and letting this great plant take care of the matter, you, a small individual, have all of the advantage that the big fellow has down here. You put your livestock in there, and you eliminate six of the seven charges. Is that not good enough? I am sorry that my friend here could not tell you that you eliminated anything except a part of one charge, and that was with the very fellow who ought to be helped. While you have your local shipping association you cut out your home man. You do not want to do that, although there may be some reason for it, but ordinarily there is very little reason for it.

We charge the local buyer many times with getting a large amount of money, and he does not get very much. He is guided by the conditions, and they may be quite different from the conditions surrounding the shipping association. The shipping association man gets so much money, win or lose. It is a sort of "heads I win, tails you lose" proposition. He ships it down there, and then whatever it sells for, he gets so much profit, after the expenses are taken out. Your local buyer must buy of you and pay you your cash today, and then if the market goes down 50 cents a hundred before he gets to market, he has lost his expenses, and some beside, to say nothing of a possible profit. With the shipping association, of course, you are taking your own chances.

Cutting Out Needless Expense

Now, with this local plant you cut out all those expenses. You put your livestock into your own plant, and before you ship it from your station you get your check for it right there, just the same as you get it anywhere else. We send our man out to the stations, and he is there and meets you; in most cases this has been the arrangement, where there would be a disagreement,—because there is always a disagreement now and then. You have been told here by men whom I could not contradict,—and I would not want to, because I know that they are reliable men,—that no two stockbuyers will go through a car of stock and classify the stock alike. What does that mean? Well, ask me another question, and let us see what it means. A gentleman here told me yesterday that in a single carload there was frequently 19 classes of beef. But let me ask you: Did you ever go into the butcher shop and find 19 different prices at which you could buy meat? No. But the situation is this: We are never going to find a man who is angelic enough so that he can absolutely classify everything to suit everybody. What will we do? Well, the average man is satisfied when he gets reasonably near what he thinks his stuff is worth. As a matter of fact, I happened to be present when the first carload of stock that we bought the other day was bought. I was not buying, but I was there, and saw both sides. There was not a question raised at all; they agreed in five minutes on the real value of that stuff, and the man received his check, and said that he was getting at least $60 more than he could possibly have gotten for the same carload of stuff shipped into Chicago, or sold to the local buyer.

And If the Plant Does Not Pay?

Now, you are going to put your livestock into your plants, and you are going to kill it, and put it into the finished product, and put it on the market, with a splendid prospect of making a good profit. But suppose you do not make any profit, gentlemen? Suppose you do not make any profit in your packing plant in a whole year, but just break even. Now, it would be a mighty poorly managed packing plant that could run, with the capacity of the Rockford coöperative plant, for a year and not make some money, with plenty of working capital, which they will have. They will not owe any man a dollar in the world, but they will have plenty of working capital, with the plant all paid for. And if they do not make a dollar in a year, or a good sum of money, it would be a wonderful thing indeed. But if they do not make a dollar in the world, you have cut out six of the seven middlemen's profit in shipping your own stuff into your own plant, as though you owned it on your own farm, and you will have soon received back, in the saving on those six profits, much more than your share of stock ever cost you. So that I say, we ought not to waste very much time in worrying over that proposition, but what we should do is to get together, organize better, build more coöperative packing plants, like they are doing in some of the European countries.

COÖPERATIVE PACKING PLANTS

Charles W. Holman *

The National Agricultural Organization Society, which I represent, found it necessary a few weeks ago to inaugurate a survey of the coöperative packing house industry in the Northwestern states and I promised Secretary Wallace to come over

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* An address by Charles W. Holman, secretary of the National Conference on Marketing and Farm Credits from its origin and of the National Agricultural Organization Society, to the Corn Belt Meat Producers' Association in Des Moines, January 24, 1917. This address is reproduced on account of the immediate importance of the topics treated.

here and tell you just what we might discover in this connection provided we were able to make any progress by the time that this meeting was to be held. I am simply going to tell you what I have found from the point of view, we might say, of a man who expected to invest in one of these concerns.

The last three years have witnessed a peculiar reaction on the part of the livestock producing interests in this country towards the packers. In addition to the attempts of associations such as your own through the market committee of the American National Livestock Association, and the National Conference on Marketing and Farm Credits, of which I am secretary, to secure a cost finding investigation of the livestock industry from ''calf to plate,'' certain groups of farmers and cattlemen have thought that they could establish packing plants and abattoirs in competition with the great packing interests of this country. This unrest on the part of our livestock producers has made them peculiarly susceptible to promotion efforts from the outside. Accordingly, when several groups of shrewd promoters—men who make a business of starting enterprises for other people to carry on after them—have gone into some of the richer states they have found the farmers an easy prey, and they have succeeded in starting several large enterprises for which they have charged an excessive promotion cost.

Not only have these promoters persuaded farmers to start packing plants, but they have induced the launching of a number of commercial projects whose hopes of success are dubious indeed.

Misuse of Term ''Coöperation''

Before going further I would call your attention to the fact that this talk is directed against the promotion of dangerous and doubtful commercial enterprises and the misuse of the term coöperation, and nothing that I say should be interpreted to mean that farmers can not carry on enterprises of a large business character in a coöperative way. Enemies of coöperation have pointed to the packing house situation and claimed that coöperation and coöperative principles will not work, so far as farmers are concerned, in big business operations. To contradict such statements it is only necessary to point to the operation of the California Fruit Growers' Exchange which represents a combined capital of nearly $130,000,000. This organization, formed on coöperative lines and controlled by coöperators, annually markets 30,000 or more carloads of lemons and oranges, and maintains a distributing and sales system that blankets the world. But since there is "a time for everything," farmers should beware of undertaking enterprises for which they are not peculiarly fitted and against handicaps which may be overwhelming.

No one is a stronger believer in agricultural coöperation than I, and a large part of my activities are devoted solely to the work of spreading the knowledge of and the application of coöperative principles to farm business. With this explanation we may now take up the Farmers' Coöperative Packing Company Movement, and from its present status, arrive at some conclusions with regard to the opportunities afforded farmers in this line of business.

First Plant Started at La Crosse

The first coöperative packing project undertaken in this country by farmers was at La Crosse, Wisconsin. I wish that I could tell you that it was built by the farmers when it was started but, unfortunately, it was not. If there are any stockholders of this plant present (and there are some Iowa stockholders) it will be of interest for you to know that from start to finish no more dubious deal was ever put over American farmers than this one at La Crosse. The Farmers' Coöperative Packing Company of La Crosse closed its doors in December because Manager D. H. Baker was not willing to keep the plant going when he knew that it would not pay its way. With its shutting down the community has awakened to realize that the plant itself is practically worthless save for some machinery and the river frontage along the railroad tracks. Of the $265,000 subscribed about three years ago there is practically nothing left except a dilapidated building and the machinery, much of which is practically worthless—and the prospects of dissolution. How then did the farmers lose their money and why?

I am going to call things by their right names and am going to name the persons who are deemed responsible for this loss of money and the defamation of the fair name of coöperation in La Crosse.

In the beginning this packing plant was owned and operated by the Langdon–Boyd Packing Company. The plant, as it was sold to the farmers, was some 14 years old. Some of the machinery in the building was over 30 years old. At the time the transfer was made the walls were falling down, the floors were falling in, the timbers were rotting and very little of the machinery was usable at all. But this condition, of course, was carefully hidden from the farmer stockholders who purchased the plant.

It is said that the National Bank of La Crosse carried a debt of $55,000 or thereabouts against the Langdon–Boyd Company. So, of course, the bank must have known the true condition of affairs. Yet officers and directors of this bank encouraged the farmers to take over the plant at a price which was beyond all reason. In addition, preferred stockholders possessed about $37,000 of Langdon–Boyd stock and it was necessary to reimburse them in case any disposition was made of the plant.

Andrew Boyd, president and general manager of the Langdon–Boyd Company, was responsible for the operation of the plant at this time. It may be conceived that Boyd became a little desperate. He could barely meet his payrolls. He could not provide for necessary improvements. Interest payments at the bank he found hard to meet and demands of his stockholders for dividends weighed upon him. So in his desperation he fell upon a plan to relieve himself of responsibility by unloading upon other persons, or, in plain language, "passing the buck." He conceived the idea of floating a new company—this time a coöperative corporation under the laws of Wisconsin. He cast about to find the necessary purchasers and learned of a movement among the members of the Wisconsin Society of Equity for the launching of their own packing house enterprise. This happened in 1913. At that time the Equity was composed of about 12,000 farmers of fighting blood and spirit. This society had constituted a packing house inquiry committee which had recommended the general idea of farmers doing their own packing for themselves. Among the prime movers in this packing house idea was Ira M. J. Chryst, at that time president of both the state Equity and the national Equity. Boyd learned that Chryst was *the man* to see and opened negotiations with him and others. After some correspondence Andy Boyd made a proposition to the Equity Society offering to sell his plant for $122,914.36. This, he claimed, was less than the true value of the plant. The committee appointed to investigate the matter did not do its work thoroughly. There is nothing in the records of this committee to show that they ever sought for a competent packing house expert to look over the plant and advise them as to whether they should recommend to the Equity its purchase at Boyd's price, yet this committee reported an endorsement of the Boyd deal at *Boyd's own price.*

''Putting One Over'' the Delegates

In 1913 a meeting of the Wisconsin Equity Society was held at La Crosse in December. At this meeting promoters Andy Boyd and Ira M. J. Chryst were instrumental in working the delegates up to a hectic enthusiasm with regard to this particular deal. I have no doubt that the cards were stacked and the whole proposition railroaded through at the 1913 meeting. But warning voices were in their midst. One or two men like my friends Charles A. Lyman of Rhinelander, Wisconsin, and Dr. Charles McCarthy of the Wisconsin Legislative Reference Library denounced the deal on the floor of the convention. Yet the delegates unanimously endorsed the proposition and left the road open for the floating of a farmer company to carry out the deal.

Andy Boyd now went to Chicago and secured the services of one F. A. S. Price, a professional promoter, whose stationery called him ''A Financial and Fiscal Agent.'' Boyd made a contract with Price to give him 15 per cent commission for selling stock in the new company. It was agreed that this stock should be sold as follows:

$100 per share for the first $100,000 sold;
105 per share for the next 50,000 sold;
110 per share for the next 50,000 sold;
115 per share for the last 50,000 sold.

This meant that while the company was incorporated for $250,000 the stock when sold would bring in $265,000. Now in this contract Boyd agreed not to interfere in any way with Promoter Price's methods of selling stock to farmers. So when the board of directors of the farmers' company came to take over the contract which Boyd had made with Price they later discovered that they had no power to go to Price and say "One of your men is making misrepresentations in the sale of this stock and we demand that you change your tactics."

Boyd now proceeded to have the new company incorporated under the laws of Wisconsin. The constitution and bylaws were fairly good ones and the company was named The Farmers' Coöperative Packing Company of La Crosse.

Stock Salesmen Put on Board of Directors

When the time came for the election of officers, the persons whom Boyd and Chryst and Price wanted were put on the board of directors and Boyd and Chryst and Price were also on the board of directors with Boyd installed as vice-president and Chryst as president of the concern. Think of putting stock promoters on the board of directors of a farmers' organization! Two other persons who were undoubtedly dupes worked in very closely with this group. They did not know always what they were doing; but they helped constitute the machine which from now on worked smoothly in bringing about the unloading of the Langdon–Boyd property.

With the moral backing of the Equity Society everything was ready for the sale of stock. Additional impetus was given by the fact that officers and directors of the National Bank of La Crosse headed the subscription list. When the farmers heard of this they purchased the stock without further question and they accepted the wild stories which in many cases were told them by the stock salesmen. But after the stock sale was well on, most of these bank directors and officers turned their stock over to the salesmen and succeeded in unloading. In the meantime as fast as the money came in Promoter Price got his share and the National Bank of La Crosse took up its notes and the preferred stockholders of the Langdon–Boyd Company were paid off.

Hushing Up the Valuation Question

In the early stages of the promotion, the farmers had accepted the whole proposition without question. But ugly rumors as to the true value of the plant had begun to float around and at one of the meetings of the board the question was raised as to what the plant was really worth. Boyd then produced a person by the name of R. A. Hall of Grand Rapids, Iowa. Hall claimed to be an efficiency expert. He was employed to value the plant. The report which he turned in was one of the neatest bits of typewriting I have even seen in my life, and his figures placed the value of the plant up to $140,345.62! Two real estate men of La Crosse and a mechanical engineer or two also corroborated Mr. Boyd's original valuation. In this way the farmers were silenced, the deal was officially approved and everything went through. And in this way something like $100,000 of the farmers' money was lost through false valuation. In contemplating this transaction, I am tempted to ask: Where are the Wallingfords of yesterday?

The board then proceeded to elect Andy Boyd as manager of the new plant. Boyd selected a man named C. E. DeMoss as superintendent, and the two of them undertook to carry on the business for the farmers which Boyd was not able to make pay under his own ownership.

What Poor Management Can Do

Now, where did the money go?

Of the $265,000 which was raised through the sale of stock $122,914.39 was paid to the Langdon-Boyd Company. Promoter Price received $37,814.52. It was also found necessary the first year to spend $11,314.20 in additions and improvements in order to make the plant work at all.

Within ten months after the plant was started Boyd and DeMoss had permitted over 277,300 pounds of meat to spoil in the cooling room. In one lot alone there was $40,000 worth of meat. I do not see how any man attending to his business at a packing plant should not have been aware that his temperatures were wrong and that the money of the farmers was getting away. From this cause and from other irregularities in management and mistakes in purchases of livestock and in resales of livestock at times when the plant could not handle the supply, the Boyd management had lost, by the end of the year 1915, $71,602.34 in operating expenses. In this way $243,645.46 of the farmers' money vanished. Now, if collections on stockholders' notes had been good, the plant would have had a little more than $21,000 working capital; but collections did not come in as fast as the management might hope and the company was forced to operate on practically no working capital of its own and upon a maximum loan of $15,000, which it could secure from the National Bank of La Crosse. In 1916 the plant was forced to spend $11,154.17 in improvements and, despite the careful management of Manager D. H. Baker, who was placed in charge, the plant lost $3,263.52 on the operating period of November 1, 1915, to December 31, 1916. In this way do we account for $258,063.15 of the farmers' money. It may be well to draw the curtain at this particular point.

Cutting Down the Wastes

I would not leave the story of La Crosse without paying a tribute to the careful and conservative management under Mr. D. H. Baker. Mr. Baker was a stockholder in the plant and had had several years' experience as a packing house worker and, while handicapped for lack of finances, he did some valiant work in collecting notes which were due and in cutting down expenses and in trying to put the plant on a paying basis.

With the advent of the Baker management a number of irregularities were checked up in connection with the Boyd–DeMoss regime. One of these occurred in connection with the spoiling of the meat, when Mr. Boyd managed to get three carloads of the rotten stuff out of La Crosse and down to Chicago. DeMoss went down to see what could be done about selling it. He wired back that he must have "$1,000 quick." Telephone conversation developed the fact, according to Baker, that DeMoss wanted this $1,000 to "grease the track." The cars eventually sold, I am told, to Morris & Company and brought $2,600. If there is a Morris man here he might investigate as to why it was necessary to "grease the track."

Manager Baker found himself "up against" a hard job. It was necessary to purchase livestock on a rising market and he had no stocks on hand from the 1915 low prices. So he worried along until the first week in December when he closed the doors of the plant and notified the directors.

A State of Suspended Animation

In all 2,140 persons purchased stock in this concern. Salesmen went far afield to find their victims. Persons in Iowa, Minnesota and distant parts of Wisconsin subscribed. This scattering of stock ownership brought about a very difficult problem when it became necessary to take some final action for disposing of the plant. The board of directors canvassed the situation and determined to call a special meeting and put the problem of reincorporation and the building of an entire new plant up to the shareholders; but they were never able to secure a quorum as 51 per cent of the shareholders are required to be present or to vote by mail on a proposition under the Wisconsin coöperative law, which is ''a one-man one-vote law.'' Nor were the board able to secure a quorum necessary for legal transaction of business at the annual meeting held this month. And there the matter rests. But the National Agricultural Organization Society in order to help this situation has been instrumental in the introduction into the Wisconsin legislature of an amendment to the coöperative law so that less than the majority now required may constitute a quorum where stockholders number a thousand or more in coöperative associations. In the meantime the annual meeting has been carried over to March 7th when, if this law is passed by that time, the stockholders will either vote to wind up the affairs of the company or they will undertake the building of an entirely new plant. The present plant is so dilapidated and out of condition and unsanitary and unsafe that it is doubtful if the federal government will permit it to be opened again.

In the meantime the La Crosse district farmers are angry and disappointed. Some of them are trying to find out whether they have grounds for action for civil recovery. Others are talking about a grand jury investigation with the idea of putting somebody behind the bars. Mr. Boyd still holds some notes, one of which is for $5,000 which he made for the company in the National Bank of La Crosse while manager and later took up. Mr. Boyd himself is said to be in Montana or some other western state.

Model Plant at Wausau

But this particular plant could not be made the basis of any just estimate as to whether farmers' coöperative enterprises can succeed in the packing house business. There are other plants in operation and under construction whose fate will determine the future of coöperative enterprises of this character. The plant at Wausau, which I visited, is a model plant so far as one inexperienced can tell. It was capitalized originally for $250,000; but the farmers of Wausau built this plant from the ground up. In the early stages of their operations Mr. Price attempted to put in his hand but he was kicked out. However, he is still operating in Wisconsin and Illinois, too.

In Wausau they managed to start with a board of directors who were unusually competent men. The first president of their company was a justice of the Wisconsin supreme court. This board carefully searched the field and found a man whom I believe to be a competent packing house manager. They employed him during the early stages of construction and they also consulted with the authorities of the United States Department of Agriculture in Washington. It is said to be an ideal small plant. They have some 18 acres of ground along the railroad track. The building itself is four stories high and the equipment is capable of handling 50 hogs an hour.

Experienced Manager in Charge

Mr. L. C. Hoopman, their manager, was for 22 years in the packing house business. He has worked for the large packers, but for several years before he took his present employment he was employed by the federal government as an inspector. He went to the Wausau plant recommended as a man of high honorable instincts. The board also secured, and this is very important, a competent auditor, Mr. C. H. May. I think it important to mention here that Mr. Hoopman, in the days when the plant was being promoted, warned the farmers that they need not expect any profit dividends under the first three years if they got any then. He understood the business difficulties of starting against competitors who have been able to make the government of England come to its knees. The plant is built on the corner of the 18-acre tract which is divided into feed lots and holding pens. Here are kept "piggy sows" and in the summer time feeders.

In organizing this company a fixed commission was paid to Mr. G. H. Horrell. The stock was sold as follows:

$100 per share for the first $100,000
106 per share for the next 50,000
112 per share for the next 50,000
118 per share for the third 50,000

which brought into the company a premium of $18,000 above capitalization. The statement of the company of September 22, 1916, shows an organization charge for selling the stock at $28,930.10 in addition to the premium, which means that $45,930.10 was actually spent in organizing this company. They also spent $11,718.18 for real estate and improvements, $116,926.97 on buildings, $29,601.07 on machinery and equipment and $1,370.33 in the digging of a well. This left only $62,453.35 for working capital; and the statement of the board called for $140,000 in working capital. Accordingly the stockholders voted to sell an additional 1,000 shares of the company's stock at $118 per share, and this sale is still in progress.

In all 2,017 stockholders had purchased during the year which has just closed. These are mainly within a range of 75 miles of Wausau. The volume of business during last year was $850,000. The plant handled 4,539 cattle, 15,671 hogs, 5,868 calves and 750 sheep. These figures were given me by Auditor C. H. May.*

No Dividend the First Year

Manager Hoopman told me that on the first of last November the plant showed a net profit of $1,800. Since then he said there has been quite a fall in prices of some of the meats which are in stock and they will not be able to make an annual statement showing a dividend. In fact they will show a paper loss, although they are holding their stocks with the idea that some change in the market prices will bring them up in value and show a profit for the year's operations. At Wausau they claim to grade stock closer than at the Chicago yards. They say that they do not bunch the cheaper grades with the better, thus lowering the value of the lots. They aim to pay the farmer from 10 to 15 per cent per cwt. more than Chicago prices will net him.

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* The figures are at variance in some respects with the statement of the first year's business filed with the secretary of state after this address was delivered.—Ed.

The argument usually made in favor of a plant like this one at Wausau is that if the majority of the stock is held by farmers, and if the plant itself is able to make expenses, the farmers will secure enough money at higher prices for their livestock to warrant their continuing as stockholders. At Wausau people claim that the average prices they have paid for this livestock has been from 10 to 15 cents higher than the Chicago prices, and that this is on account of the difference in freight rates and the saving of the country buyers' commission. I did not have an opportunity to check on these statements, although I talked with one or two farmers who maintained that holding a share or two of this stock they felt to be a wise investment as they had, during the year, secured a slight advantage in price for their beasts at the Wausau plant.

Regularizing Supply of Livestock

One of the big problems at a plant like the Wausau plant is to keep the supply of livestock regularized. It is necessary for this plant to run at maximum capacity in order to minimize the overhead charges; and in order to aid in regularizing the supply the Wausau management has organized a coöperative livestock shipping association. The company maintains the control over association managers and pays them six cents on the hundred for handling all the shipments. It maintains a very careful audit system with regard to these shipments as they come in. It furnishes statements in duplicate to the association manager and to the farmers shipping the stock. Each association has a regular day for shipping and each farmer has a regular number which is furnished on metal tags with which he rings the ears of his animals. The weights are very carefully checked at both shipping and receiving points, after which a carefully audited cost-finding system is maintained on each lot that is purchased up to the time that it is sold.

Careful Auditing an Essential

The secret of whatever success the Wausau plant may have had is undoubtedly due to its careful auditing system and the very careful control which the manager has of the plant. He has had to train a number of his men, which is perhaps an advantage, but during the year of its operation this plant has only run one day at full capacity. It is located in a section of the country that is not strictly a livestock section and it must depend upon future development for a supply from nearby points. Up to the present it has purchased from as far away as South St. Paul and from Green Bay, although the average territory from which it draws is about 75 miles in radius.

Handling Sales System

It is perhaps fortunate that Wausau and other plants have arranged to handle hogs as the major part of the activities; for the problem of handling hog meat is simpler than that of beef, and sale problems are not so difficult. The Wausau plant makes a great specialty of sausage. It has sold as high as 59,000 pounds in a month. It manufactures over 30 varieties. It maintains a city sales system, a department that handles small 100 pound express shipments and a sales staff for larger quantities. It has shipped as far as Winnipeg, Canada and Dallas, Texas, but the greater quantity of its shipments is to Wisconsin points. Up to the present time this plant has not undertaken to undersell any of the larger packers. In fact to do so would be suicidal. They do say that Swift is selling under them at all points but that the other packers are not.

I should say that if any packing plant under coöperative management could succeed this one at Wausau will. But like all new ventures it still remains to be seen what will develop there.

Where Other Plants Are Starting

Now as to other coöperative packing plant activities. At New Richmond they began building on a $250,000 capitalization but after investigating the Wausau plant raised their capital stock to $350,000. At Madison the farmers incorporated for $500,000 and later raised to $750,000. Both at New Richmond and Madison the plants will be operating in time to catch the next crop of hogs. A plant of larger size than at New Richmond has opened at Faribault, Minnesota. At St. Paul sale is on for a plant of $500,000 or perhaps it is $1,000,000, I am not sure. Last week a great farmers' organization met at Fargo, North Dakota, composed largely of Equity members and endorsed a stock sale to commence on a $1,000,000 plant. Another coöperative packing company has just opened at Rockford, Illinois. They bought an old plant there, and the same man who officiated as first president of La Crosse, namely Ira M. J. Chryst, is also president of the Rockford plant and the St. Paul organization. Chryst was also president at one time of what was known as the Equity Securities Company, a promotion organization to sell stock in enterprises for which Chryst and others secured the moral endorsement of the Equity.

High Promotion Costs the Rule

I am told that promotion costs on the Faribault plant were 11 per cent, but the Madison, Wausau, New Richmond, Rockford and La Crosse projects surely did not come under 15 per cent for the promoters. In Wisconsin alone it is estimated that over $250,000 will have been spent for promoters' fees on the four plants which have been started.

Word has come to me that farmers in the South are going mad over the idea of starting farmers' coöperative packing plants and I have had correspondence from Missouri parties who tell of great interest in that state in the idea. I understand also that the question may come up in Iowa.

A Plan for Coördinate Action

Now as to the conditions these packing plants must face. Clearly the starting of any more plants within close touch of each other in Wisconsin would be a further division of territory and would harm the existing plants. Also these plants may be used by buying butchers and retailers for competitive purposes unless they have some means of keeping in touch with each other. Consequently the National Agricultural Organization Society has suggested to each of the farmers' cooperative packing companies in Wisconsin that, since the big packers can care for byproducts most efficiently and have advertising facilities and railroad facilities and accommodations and credit and strength and influence, the coöperative packing plants should do something to offset these difficulties. We have suggested that they get together in the near future and form a federation. We have suggested that they take some steps toward working out a common state brand and a common form of advertising and that they also arrange to purchase collectively all materials used in factories and to employ collectively legal help and help of a scientific and expert nature, and that they should have an additional department for the instruction of the farmers in order to build and keep a direct interest on the part of the suppliers in the coöperative plants.

Halt March of the "Wallingfords"

Looking at this matter as one who would like to see all forms of coöperative effort among farmers succeed, I would say that the question is still an open one whether such plants can succeed. And while I feel that we should do everything we can to help those plants succeed which have started, that there is now time to wait awhile, three, four, five or six years, if necessary, until we can see what these plants can do before any of us put any further money into new farmers' coöperative packing house ventures.

It is still an open question whether the small packer can organize his help under the efficiency basis. It is still an open question whether he can get a sufficient supply of livestock at regular periods. It is still a very doubtful question whether even if they have an efficient management that the big packers will let so many of these coöperative concerns sell to the regular trade. So it is well to be very careful and wait. There is plenty of time and you now have an excellent opportunity of observing whether a coöperative packing concern can succeed without yourselves stepping blindly into the snares spread by the J. Rufus Wallingfords.

LIVESTOCK MARKETING IN CANADA

W. J. RUTHERFORD *

The Province of Saskatchewan most of you are familiar with no doubt, is an inland province in Western Canada that is known all over the continent, I suppose, as a wheat producing province. Last year we marketed 150,000,000 bushels of wheat. This year it is cut down somewhat, and it is about 100,000,000 or over of wheat that we send to the world's markets, not manufactured.

The province is also an important one in the production of livestock in Canada. The livestock producers have thought for years that they were not getting a fair deal in regard to the marketing of their products. The same complaint we have heard here today that when they would produce heavily of hogs, which they could do within a short period, the price would be depressed, and then they would cut out the hogs. So it has been pulled down considerably so far as hog production is concerned.

What prevails in regard to hogs prevails somewhat in regard to cattle.

The situation is this: Those who are interested in the future welfare of that province know that wheat production will rob it of its fertility, and they are endeavoring to encourage livestock work. The government recognized this, and last year it appointed a livestock commission to investigate the question of livestock production and livestock marketing. That commission has not yet rendered a report, and I am not in a position to say what that report will be.

The province has what might be termed the coöperative idea. There are between 30,000 and 40,000 farmers, out of the num-

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ber of 100,000 who have linked themselves together in what are known as the grain growers' association; 18,000 to 20,000 of those men are joined in what is known as the Coöperative Elevator Company, and this year at their annual meeting they declared a surplus of earnings of over $500,000 and they had marketed of this fall's crops over 40,000,000 bushels of wheat. Now, I need not say, or even indicate, what I think that commission that has been appointed will render as its report; but I would conjecture that it will be along a coöperative line as has been pointed out by numerous speakers today, of one interest and another. It has already pointed to coöperation among the meat producers, and they will carry it further in Saskatchewan, I imagine, and carry it on to the consumers, for every one living in that province is there because of this agricultural possibility.

Mr. Tomlinson (of Denver): I would like to ask you one question. You are from Saskatchewan?

Dean Rutherford: Yes, sir.

Mr. Tomlinson: You will recall the signing of the Canadian Reciprocity Treaty, whereby Alaska came in free from Canada to the United States. Did not that have a marked effect on prices of livestock in Canada?

Dean Rutherford: Yes.

Mr. Tomlinson: Did it not increase the price of hogs from $1 to $1.25 a hundred?

Dean Rutherford: I could not say as to the figures, but it stimulated production.

Mr. Tomlinson: But in other words, the increased competition from the American packers enabled the Canadian growers to secure better prices for their livestock?

Dean Rutherford: Yes, both cattle and hogs. I might add just now that a movement was set on foot in Saskatchewan in the latter part of September. It was coöperative in this respect, that the provincial government placed a livestock expert at the yards in Winnipeg, where the Saskatchewan feeders were assembled, and they let the livestock growers know that their expert would act for them. The Dominion government offered assistance; the packers offered assistance: the railways at once offered a reduced freight rate on feeders and on females that would be returned to Saskatchewan. Remember now, these feeders and heifers had originated in Northern Saskatchewan, in what we term the park country, where grass is abundant, and good water, shelter, and everything else prevails. As a result of the combined efforts of the livestock branch of the department of agriculture of the province, the Dominion government, the daily press, the banks and the railroads, in the one month of October between 6,000 and 7,000 of those were returned to the province, as against 800 in the same month the year before,—being mostly females that were coming down to the States before.

Mr. Tomlinson: Let me ask one more question just at this time. Would not the livestock growers in Saskatchewan like to have the Canadian Reciprocity Treaty amended so that livestock in the United States could come into Saskatchewan without paying the Canadian duty?

Dean Rutherford: Do you mean the feeders?

Mr. Tomlinson: Yes.

Dean Rutherford: Well, I have not heard them express an opinion on that, but for a long time the feeders have been coming up. Just recently two trainloads originated just a few miles from where I live ,and were shipped to the Chicago markets,—feeders, which had gone up from the States to Southwest Saskatchewan.

Mr. Tomlinson: And paid the duty?

Dean Rutherford: I expect so.

Mr. Tomlinson: And then had it refunded?

Dean Rutherford: I beg your pardon?

Mr. Tomlinson: I say, and then had the duty refunded when they came back?

Dean Rutherford: No. These feeders had originated in the Panhandle of Texas, as I understand it, on what used to be known as the Matador range.

Mr. Booker (of Virginia): I would like to ask one of the gentlemen who has spoken to us today to outline the principal points on which the Federal Trades Commission will be asked to make an investigation, in connection with cattle, etc.,—those specific points.

Chairman Boyle: Can any one answer that question for the gentleman?

Mr. Tomlinson (of Denver): State the question again.

Chairman Boyle: The question is, what particular points, along what particular lines, will the Federal Trade Commission be supposed to investigate the livestock question?

Mr. Tomlinson: Well, in the absence of anybody else to answer that question, I will say I think it has been very plainly shown today that we want a very careful investigation of the meat industry and the livestock industry, and meat products, in the way of consumption and production,—the whole thing.

Mr. DeRicqles (of Denver): In connection with that investigation, I think, if the audience is interested in it, we can say that one of the main things that we want to bring out is the increase in the cost of production. There is a concentration of these defined processes of livestock at a few places, which gives an opportunity to control the price. That is a very big question, the increased cost of production, and the concentration of receipts at a few places in a few days. It is a very big question, and it is unfair to try to cover in just a few words what the Federal Trade Commission would be asked to go over; there has been so much said about the great fortunes that have been made by the producers, that they are put in a false light to the consumer; the consumer thinks by cutting off meat from his bill of fare that he is hurting the producer, while in fact he is hurting the whole country.

Mr. Smith (of Indiana): I am very much interested in the subject of classification of stock. I presume that question would come before the Federal Trade Commission. The gentleman who led the discussion on that just a little while ago said it was impossible to lay down a rule for the classification of stock. The fact is that they are classified, and that the farmer has nothing to do with the clssification. To illustrate: I shipped a carload of cattle to the Indianapolis market, and I thought, and my neighbors thought that they were all of a certain class; but when the commission man put them up for sale the buyer classified them according to his own notion of the matter, and I had nothing to do with it. I had no say-so in the matter at all. Now, then. I shipped just a few days after that a carload of hogs, and they were what I thought to be first-class hogs; but when the commission man sold them to the packer, or to the agent of packer, he crowded them into pens, and he would punch out this one, and punch out another one over here, and so he put them into about three grades. Some I got $11.20 for, and some I got $7.25 for; and I had nothing to do in the matter at all. Now, I consider such a procedure as that unfair, and if the Federal Trade Commission, or the resolutions committee of this Conference is going to pass on that phase of the subject, I would like for them to have that part in, too. Let the government or state or somebody stand between the farmer and the packer, or the buyer for the packer, and classify stock according to its merits. I believe that is all I have to say, except to say that this is quite important to the man who raises hogs and cattle.

MARKETING OF GRAIN AND CHEESE.

MARKETING PROBLEMS OF NORTHWESTERN GRAIN GROWERS

LYNN J. FRAZIER *

The marketing problems of the grain growers are very much the same as marketing problems of the livestock men or producers of any line of produce.

The farmers of the Northwest have been preached to for years and years by newspaper men and college professors and doctors and lawyers and merchants and politicians and railroad magnates, and better-farms experts and all that kind of men. They have been telling us that we should do better farming; that we should raise bigger crops. And the farmers have been very responsive to that instruction; they have worked 16 hours a day and they have tried every fool experimental problem that they have ever heard of, trying to produce bigger crops, and have produced those bigger crops. We have often found that we do not get a sufficiently larger increase in the returns for those crops to pay us for the extra trouble and the extra expense in handling those bigger crops, and so we become dissatisfied to an extent. And when some smooth talking individual comes out from town and tells us about the ''coöperating'' scheme, and how coöperation would better the interests of the farmers and wants us to organize a farmers' elevator or creamery or farmers' store, or something of that kind, why we are willing to be taken in. In the majority of cases we find that after that organizer has cleared out we have paid him mighty well for taking us in; for in a lot of instances our farmers' organizations have not been successful.

We admit it, and there are various reasons why. Sometimes it was the farmers' own fault; they would not stick together. Other times we did not have cows enough in the neighborhood to

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* Lynn J. Frazier of Hoople, N. D., was the candidate of the famous Farmers' Non-Partisan League of North Dakota and was elected governor in 1916 by a tremendous majority.

support a creamery, or we did not—could not get a manager who was honest or competent. And sometimes they were both dishonest and incompetent.

Good Work Among Grain Growers

Our farmers' elevators for instance; sometimes, where the farmers pull together and we get a good manager, we have made a good success of them and they have been a great help to the farmers; at times they have been an example for all. There was a case up there in North Dakota a short time ago where a farmers' elevator agent got to speculating and got in bad and skipped out. Then a suit was brought by the chamber of commerce firm at Minneapolis to recover the debt that they claimed the farmers' elevator owed them, against the directors there, you know, and they did recover most of it.

But in that law suit was brought out the fact that the elevator manager up there had speculated—bought options—and the price had gone the wrong way and to cover that loss he shipped the chamber of commerce firm a carload of wheat. They held the carload of wheat to cover the loss until the second car came in, and then sent the proceeds of the first car, and held the second car to cover the loss until the third car came in, and then sent him the proceeds back. And still, in that law suit, the chamber of commerce firm tried to make out that they did not know that that farmers' elevator agent up there was speculating! Of course they knew he was speculating and they kept him right on speculating and as long as he was speculating with them they had him under their thumb. He had to ship to them to cover up the deal, and they knew it, and he knew it, and got in wrong and finally skipped out. That is only one instance. There are a number of them in North Dakota similar to that.

The better farming movement is all right; we are interested in better farming; we want to raise bigger crops; we want to diversify. We have been told to classify and diversify. Some of those men seem to think about nothing except to give the farmers instructions so as to keep their mind concentrated on that one proposition of producing bigger crops. Such persons do not want them to think about the marketing end of it at all. They want us to let that take care of itself or let the speculators take care of the marketing end of it for us.

Better Markets Mean Bigger Crops

But we have come to the conclusion in the Northwest that we must take some consideration of the marketing end, and that it is not so much of importance for us to produce big crops as it is to get better prices for what we do produce. We must get prices that will pay us a profitable income, we have discovered after a good deal of hard work and experience, and they are both mighty good teachers.

We have found out that we were not progressing as we had hoped to. We have found that the number of farm mortgages throughout the country are increasing. We have found that the interest has likewise increased, and we have found that more and more of the farm lands are getting into the hands of agents or, I mean, into the hands of speculators, thus making room for more tenants. So we have concluded that the only thing to do is to have something to say about the making of the laws in those agricultural states.

We believe that the only way that we can remedy and better our farm conditions and solve this marketing problem is by having something to say about the laws; because the law really regulates all of these things. In a lot of instances we have found year after year that we were doing well if we paid the interest on the mortgage, and that was about all that we expected to do. Do you know that there are thousands of farmers throughout the Northwest who, if they sold out today for the price they paid for their land when they started in farming and cleaned up their debts, they would not have money enough left to move to the poor house? Thousands of them are scattered through this Northwest, and the money that they would have left represents their profits on their farming operations.

Farm and City Business Different

The farmers' mode of marketing his products and doing his business is entirely different from that of our brothers who do business in town. I have often wondered how a man in any other line of business would get along, how he would succeed, how long he would last, if he had to do business the way the farmers do. Perhaps some of you think the farmers are not business men. I want to tell you right here that the farmer under the present conditions of marketing who can make ends meet is a business man of the first order. The merchant in town buys his produce that he is going to sell at wholesale. He adds to that wholesale price the cost of selling, his insurance and interest, and so on, and adds a fair profit and then puts his price on and sells it at retail. But the farmer does just the opposite. He buys everything he buys at retail—at the other fellow's price; and he sells everything he sells at wholesale—at the other fellow's price. And still they tell about the farmer being the most independent class on earth, and how healthful is farming, and what a nice recreation it is, and what good exercise it is to farm, and all that. Whenever I hear anyone talking along that line I always invite them out to the farm to follow me a few days just to see what a nice time we have. We certainly do have plenty of exercise; there is no getting around it.

Experience in Marketing Potatoes

In the part of North Dakota where I live we raise a good many potatoes, and this year it helped out wonderfully because our wheat crops are very poor. And we got a fairly good price for potatoes. Along the latter part of September when we were digging our potatoes we sold them for 80 cents a bushel. But at the same time, when we were getting 80 cents a bushel up there in North Dakota they were selling here in Chicago and Kansas City and other potato markets for $1.50 to $1.75 a bushel. Now, the difference between the price we sold them for up there, and the price they sold for down here was the handling charge. You know, the farmers do not do much in the handling of potatoes. All they do is plow the ground and get it in good condition. Then they plant the potatoes, and then cultivate the land to keep down the weeds and preserve the moisture. They have to spray the vines two or three times a year to kill the bugs. When the potatoes are ready they dig them, pick them up in wire baskets, put them in sacks, load the sacks in the wagon and haul them to town and put them into a box car. Then the "handling" begins.

All the farmer does is to raise the potatoes and the other fellows "handle them" and get the profit out of it. It is mighty good exercise, "handling potatoes." I hauled potatoes two weeks before I started out on the fall campaign. The day I left my home town I was in one of the stores and the merchant said, "Frazier, I have got a good joke on you." I asked him what it was. He said, "There was a traveling man in here the other day and he asked if this wasn't the town that the candidate for governor lived in, and I said, 'Yes.' And he said, 'I would like to see that fellow Frazier, I have never seen him.' " And the merchant told him, "If you want to see him very bad you can go over and see him at the railroad track; he is unloading potatoes in a box car." So the fellow went over there to see the candidate for governor working with potatoes; he thought it was quite a novelty.

The men who are "handling" our products make more money on those products than the farmer does who is doing the actual work. We do not think it is fair or right or just, and it is not; there are some changes necessary.

What Dr. Ladd Discovered

A short time ago there was a bulletin issued from our agricultural college at Fargo by Dr. Ladd, president of the agricultural college (Bulletin 119). Now, at the agricultural college they have an experimental mill on the campus,—one of the best in the United States, and,—by the way, the Department of Agriculture at Washington acknowledges Dr. Ladd to be the best authority upon the grades of grain in the United States. In this Bulletin Dr. Ladd gives the test of 96 samples of 1916 wheat. Ninety-six samples were tested and not only made into flour, but the flour was baked into bread, and the bread also tested. The difference, that is, the difference in the amount paid by the merchant or the men that handled the grain to the farmers, varied from 21 per cent on No. 1 northern wheat to 111 per cent on D feed wheat, that is, No. 4 feed wheat. One hundred and eleven per cent profit was made by grinding that wheat into flour! The actual difference in the testing according to the amount of flour made only amounted to 11 cents, but the difference that the grain men paid to the farmer at the time this testing was made was 68 cents; or the spread between the northern wheat and D feed wheat was 68 cents. The margin was too wide, 68 cents too wide; but later in the season that margin became as wide as $1.05. Of course, that little difference of 68 cents to $1 does not make much difference to the farmers up there this year, because they have not much wheat to sell. But the farmer who reads that bulletin of Dr. Ladd cannot help but realize that he was not getting a square deal; and the consumer who pays the higher prices for flour this winter, who will read that bulletin, cannot help but feel that he is not getting a square deal; that he has been robbed by the grain combinations, by the milling combinations, because he has paid more for his flour than it was really worth according to the price paid for the wheat. In North Dakota we ship most all of our wheat to the Twin Cities, Minneapolis and St. Paul; and in ordinary years we raise the best wheat that is produced any place in the world. We ship it nearly all to Minneapolis and it is ground there by the Minneapolis mills and put in sacks and it is branded Minnesota flour. Minnesota thus gets the benefit and the profit on North Dakota's No. 1 hard wheat.

Now, Minnesota is all right; but she is big enough to take care of herself, and we believe we should keep our farm products in our own state and manufacture them as our finished product and sell them as such. And we believe if we can do that we can get a better price for the producer and at the same time sell to the consumer cheaper than those products are sold now by eliminating a lot of middle men who get the cream of the profit. The farmers do not object to paying the high prices for the articles they buy based upon the wages of the men and women who manufacture those articles who work in the mills and the factories, but we do object to the excessive burden laid upon the producer and consumer by those middlemen who handle the products. They add nothing to the value of what we sell, or to the value of what we buy; but they grow rich by handling our products. They grow rich by regulating the price we are forced to take. They grow rich by regulating the price that we are compelled to buy at.

Move for State-Owned Terminals

Up in North Dakota we thought that the terminal elevators in our own state or in Minnesota should be owned and controlled by the farmers of North Dakota so we could hold our grain and have something to say about it. So we voted twice on the terminal elevator proposition, making an amendment to our state constitution that the state should have terminal elevators owned and controlled by the state. That proposition carried each time, the last time by 83 per cent; 83 per cent of the voters said by their ballot that they wanted state-owned terminal elevators.

It was "up to" the legislature that met two years ago to enact that law establishing a state-owned terminal elevator, and yet when that last legislature met a majority of those men that we had sent to Bismark to represent us, to make our laws, saw fit, for some reason or other, to turn down the wishes of the 83 per cent who voted for the terminal elevator and do the bidding of the other 17 per cent who voted against the terminal elevators. So we saw what the farmers were up against. Over 400 representative farmers went to the state legislature to try and persuade this state legislature to "put that bill across" providing for the terminal elevator. Representatives of the different farmers' organizations in North Dakota, the farmers' elevators, the Equity, the Union, etc., and some of those state legislators who had been there for years actually told the farmers to go home and slop their hogs and they would take care of the laws for them. They said, "This is the first time in 20 years that farmers have come down here and pretended to tell us what to do."

Farmers' Non-Partisan League

Well, we changed conditions so that it was the last time we will ever have to tell them what to do.

Before that legislature adjourned two years ago we started a non-partisan political league, the Farmers' Non-partisan Political League in North Dakota. In a year and a half's time that league was so well organized and carried on that it grew to have 40,000 members; 40,000 members who paid six or nine dollars membership fee to belong to that farmers' organization. We called it non-partisan, meaning that we could take men of either party regardless of their political affiliations and put them on the ticket to be elected to office, men who would represent the people. Why, partisanship never got the farmers anything.

The farmers work 364 days in the year along the same line of work, working for the same thing, to produce their crops, and then on the 365th day, on election day, when they have a little political power, they go to the polls, or they have in the past, and the democrat will go his way, the republican will go his way, the socialist will go his way, the prohibitionist will go his way, and the progressive will go his way. In this way will they all pull in opposite directions. It has never made any difference to the old gang who was elected, so long as they could control him, as to what party he belonged to. There would be one standpat candidate, a half a dozen progressive candidates and all the old gang voted for their one man and the progressive farmers voted for their half dozen different candidates, but with only one result.

And so we had a non-partisan league, and circular letters were sent out to every member in the state. They were to meet at a polling place on the 22nd of February and choose a man to be their delegate at the district convention. So at that meeting, at the end of March,—the state meeting,—those men got together, one from each legislative district, and chose their men for their state ticket regardless of party.

I was not at that convention; did not know that my name was considered. The afternoon after the convention was held they called me up on long distance, and one of the league boys at Fargo, who was on the line, said, "Frazier, we want you to come down here this afternoon." I told him I could not very well. "Well," he said, "we want you to come; the boys are here from down the state and they want to see you." I told him that it was almost train time, and I had my overalls and rubber boots on and I could not go down very well, but I would come the next night. When I stepped off the train the next night the delegates stepped up and said, "Frazier, they have given you the endorsement for governor." That was the first that I knew I was going to get into politics.

Well, at the convention which was held there on the first day of April there were over 2,000 representatives from all over North Dakota. They were the most enthusiastic bunch I ever saw at a convention, and I could not help but feel that there would be something doing in a political line this summer in North Dakota, and there was.

Farmers Sweep a State

We had a little pin, not quite as large as this one, but on which was "The Farmers' Non-Partisan Political League," and right across the front was "We Will Stick." That was our slogan, "We Will Stick," and a great many of the politicians of North Dakota did not think it would amount to anything. They said the farmers never had stuck together and never would. But as the candidates for office endorsed by the farmers went around over the state before the farmers and saw the enthusiastic crowds that came out and talked with them, we could not help but feel that they were interested, deeply interested, and that they were going to stick; no question about it. We did not feel the least bit in doubt as to the result of the primary election, and when the primaries came around the farmers of North Dakota proved that they could stick. They also proved it again on the 7th of November, and they are still sticking. Moreover, we are going to keep on sticking until we get some laws in North Dakota that will benefit the farmers. If there are any people on earth who need some special legislation for their special benefit they are the farmers and the working men. For they work hard for what they get.

Why, up there they even formed a good government league. Some of our larger towns in North Dakota formed a good government league, composed of politicians and representatives of big business, who had practically controlled that state for the last 20 years. At that late date they woke up to the fact that North Dakota should have good government.

Why, if those men had showed the interest in good government in North Dakota in the last 15 or 20 years that they showed in the last 15 or 20 days before the primaries we would not have needed any farmers' organization at all. We would have had good government all the time. We would have had a square deal, and that is all the farmers are asking is a square deal.

How the Fight Was Won

Still there are a great many people in North Dakota who could not be reconciled to the fact that the farmers were taking part in politics. I happened to be in Jamestown one day—that is the town in which is located our state insane asylum—and I went out to the insane asylum to look around, interested naturally in the state institution, and while going through there I noticed a man who was working around the same as some of the others, and he seemed to be very sane and all that, and I asked the Doctor if that was one of the inmates, and he said it was, and so I fell behind a little and got a chance to speak to this man. I greeted him and he greeted me, quite naturally, and I said, "How does it happen that you are in here?" "Well," he answered, "I will tell you; I am a farmer. I used to live north of here a ways and I got to thinking that we should have $3 a bushel for our wheat; that we couldn't get along and make any money at anything less than that, and I got to thinking about it and worrying over it so much that I finally went crazy, and they sent me down here." I told him it was too bad, and I hoped he would improve so he could soon get out, and he turned to me and said, "What are you in here for?" Well, I told him that I was a farmer, too, and that the farmers of the whole state had organized a league this last spring, and they had endorsed the full state ticket and I had the honor of being the man that they had put at the head of that ticket to run for governor. He looked at me in surprise. He said, "You are not crazy; you don't belong in here. You are just a damned fool; you better go home and stay there."

Well, as I went around over the state before the primaries getting acquainted with some of the business men in the towns they did not tell me those words in plain English but they looked at me just as if they meant the same thing. Some of the towns we went into we met the business men in the afternoon and rented a hall in the evening and invited them to come out and have a little friendly talk—a friendly talk to explain the situation to them as to what the farmer's organization stood for, and what we hoped to accomplish; and tell them that anything that would benefit the farmers must necessarily benefit the business men, because the business men depended upon the farmers for their profit and their welfare and business. And in town after town we couldn't get a business man to come out and listen to us. Of course, they did not say much after the primaries, but at the election on the 7th of November in our little state up there there were 12,000 dissatisfied voters who voted for the president or the presidential electors but did not deign to vote the farmers' state ticket; 12,000 more voted for president in the North Dakota election than voted for the state ticket, because it was a bunch of farmers that were on there as candidates.

What the Farmers' Program Includes

I do not know how we will get along in pleasing those 5,000 people who would not vote. The men that voted on the democratic ticket will be easily pleased; I think we can satisfy them. But those 5,000 who did not vote at all are going to be hard to satisfy. We realize that we have a hard job on our hands, but we are going to do the best we can and try to put across some laws that will benefit the whole state. Our program stands for state-owned terminal elevators, flour mills, packing plants, cold storage plants, hail insurance at cost, and some sort of rural credits that will give farmers their money at a low rate of interest. We believe we can put those things across as we hope to do; and that we can not only benefit the farmers' condition in North Dakota, but we can better every man in the state.

The great war across the seas has made the United States one of the great commercial centers of the world, and the larger part of that great commerce that goes across there to the warring nations is made up of farm products; but it is not the farmer who gets the war price. The farmer is not in the same situation that the manufacturer is who manufactures the war munitions or other products and sets his own price on them and makes an enormous profit.

The farmer has to take the price that the grain combination and the packing combine put on his products; he has to take that price, whatever they are willing to give him, and keep on smiling. We believe that we should have something to say about the prices that we will receive for our products. The farmers are the only class of people on earth who produce wealth and at the same time have nothing to say about the price they will receive for their products when they get them ready for the market. We work all year to get our products ready for market and when we get them ready for market we bring them to town and ask the other fellow what he will give us for them. Imagine a man bringing a load of wheat to the elevator and driving up to the elevator and telling that man what it cost him to grow that wheat, what he wants for a profit, and demanding the price. Imagine a man bringing a carload of cattle or sheep or hogs down here to the stock yards and telling the man what he thinks is a fair profit and demanding the price. Why, the chances are he would never get back home; he would be committed to the insane asylum.

Movement Spreads to Other States

The Farmers' Non-Partisan League has organized in the states on all sides of North Dakota. We expect the movement to spread to all of the different states in the Middle West. In our campaign last summer we have done a great deal to stir up public sentiment, to get the farmers to thinking, to studying along political lines, and to voting. Why, we polled the biggest vote on the 7th of November by far that has ever been polled in the state, and if we can keep that interest going and arouse the interest in the other states that we have aroused in North Dakota we will create a public sentiment strong enough to control our marketing situation.

We must have an open market for our grain and for our livestock; and when we have organized all these middle western agricultural states, and succeed as we are succeeding in North Dakota, we will have created public sentiment strong enough to put the grain combines and the packing combines out of business.

I believe that the only sure and practical method of bringing about the necessary reforms in our marketing situation that will work for the betterment of the producer and the consumer alike is the intelligent, common sense use of the non-partisan ballot. The unbought, independent ballot intelligently voted is the greatest power in this Nation today. It is a great principle of American government that the majority shall rule. And the rank and file, the common people, the producer and the wage earning consumer are the majority in this whole nation. Then, why in Heaven's name can't we elect men to office who will honestly represent the majority of the people? I believe we can do it, and I believe we are going to do it. And it is mighty essential that we do that very thing; it is of mighty importance to our own welfare, and of vital importance to those we love at home. And when that time comes, when we elect men to office throughout these states who will honestly represent the majority of the people then and not until then, ladies and gentlemen, can we hope to solve our rural marketing problems or any other problem of the common people.

NECESSARY COST OF HANDLING GRAIN AT COUNTRY STATION

F. W. Stout *

The cost of handling grain varies at different stations, and is governed largely by the volume of business. For instance, one station may handle 300,000 bushels and the total expense be practically the same as at another station which handles 600,000 bushels. And then again, there is no station that can use the figures of one year as a basis for the next year's business. An expense account can be used as a guide in fixing the margin on which to buy in order to insure a profit, but profit and loss have nothing to do with the actual cost of handling.

As already stated, the cost of handling grain is determined very largely by the number of bushels handled; but there is another phase which must be taken into consideration, and that is the general crop conditions, or especially the quality of the grain to be bought and sold. There are, of course, many stations where there is an unnecessary investment and unnecessary employment of labor, all of which increases the cost of handling per bushel. I refer here to the maintaining of one or more unnecessary elevators and the help which it takes to operate them. As a rule one elevator can handle 100 per cent of all the grain tributary to a station, and at practically the same expense as if it only handled 50 per cent.

In my opinion there is no other one thing that would tend to lessen the cost of handling grain at the country station more than for the grower to use as his motto "One elevator at a station" and live up to it, but there are so many of us that look through a pair of glasses made from a half or a quarter of a cent that we are blinded from seeing all the other benefits that lay beyond; and never until the grain grower delivers 100 per cent of the grain he has to market to his own elevator can he expect to attain the minimum cost of handling.

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* F. W. Stout is manager of the Farmers' Coöperative Elevator Company of Ashkum, Illinois.

I might be asked what would become of the other elevator. My reply would be that we are living in an age where the thing should be done that is of the greatest service to the greatest number, and I think that will apply in this case.

Costs at Ashkum Elevator

In order to be exact, I have taken the figures of our station—Ashkum, Illinois. The accounts have been kept by competent bookkeepers and been audited by a certified public accountant each year. In these accounts bushels have been watched as closely as dollars, and a complete record has been kept of all items of expense chargeable to grains, including regular salaries, extra labor, repairs, supplies, telephone, telegraph, fuel, taxes, insurance, interest, auditing of books, shrinkage, three per cent depreciation and six per cent interest on investment. These figures do not include terminal charges. I have taken the figures for a period of six years—from 1910 to 1916, inclusive—and find that we handled a total of 2,801,000 bushels of corn and oats at an actual cost of one and four one-hundredth cents per bushel. I have taken the largest and smallest year's business during these six years, and find that during 1914, the year of our smallest business, we handled 320,161 bushels at a cost of one and four-tenths cents per bushel; while in 1915, the year of our largest business, we handled 613,589 bushels at a cost of eight-tenths of a cent per bushel. This illustrates what I said regarding a station not being able to handle every year's business on the same basis. As you will note by the figures given, the actual cost per bushel of handling the 1915 crop was only two-thirds of the cost per bushel of handling the 1914 crop, or eight-tenths of a cent per bushel against one and four-tenths cents.

During the year 1915 our elevator handled 67 per cent of all grain delivered at the station, or 613,000 bushels, at a cost of eight-tenths cents per bushel. We could have handled the remaining 33 per cent at a cost of one-eighth cent per bushel. Why? Because we had already charged interest, depreciation, insurance, taxes, etc., and had enough surplus labor charged, which was necessary in order that we might be in a position to care for business that might come at any time, to have handled the remaining 33 per cent of this crop of grain for just the insurance, fuel, shrinkage and whatever the wear and tear of handling might have been.

In the face of these facts it seems that the farmers of our community paid last year at least $4,000 for handling grain that could have been handled through their own house at a cost of $350.

Coöperation the Solution

If producers are at all interested in the economy of doing this thing they should get into this coöperative movement. It is the only way by which they can accomplish anything for themselves. To be sure, it takes time and labor to convince some men that they can profit most by working together. It takes time to educate a community of producers up to that point where they can see that competition is not the life of trade, but coöperation. No sane farmer hires two men to do the work of one, and why should he support two or three elevator concerns at a station when one can easily handle all the business. No manager of a farmers' elevator company should put his feet on the office table and complain about the action of his stockholders in not patronizing their own company exclusively. He should arm himself with the arguments and go out and convince these men that a new economic era is at hand and that the greater profit to them is in doing their own business together through their own institution.

Some of the coöperative elevator companies in this state in order to keep their surplus labor working have entered into other lines of business. They handle lumber, building material, coal, fencing, feed and twine. From observation I find that these organizations are generally the most successful, for they are in a position to get the best results from their labor and investment.

In our own company the average annual net profit on grain for a period of six years has been a fraction less than 9 per cent, while the profit on the grain and side lines combined has been a fraction more than 19 per cent net. This makes our side line business a very valuable asset on account of the fact that we are able to handle all the business at a very small expense.

The cost of handling grain under present conditions is very much more than would be necessary under a more thoroughly organized coöperative system. The figures I have given are taken from an average station, possibly a little above the average in the volume of business done, and from a business that has been operated for the benefit of the producer, and not for any one man or any particular set of men.

BOARDS OF TRADE AND THE NATIONAL WELFARE

John R. Mauff*

Mr. Griffin, I believe, as long as October or November acquiesced to open the meeting here today and give us this address on handling charges at terminal markets, and has had some correspondence with Mr. Myers, the assistant treasurer, and Mr. Myers has stated in his letter a few points that he wished to have covered. Of course, Mr. Griffin having a sudden bereavement gave the speaker very little time to prepare and everything said may be in a way disconnected, but you will have to accept it in that way. It is the best I could do on short notice.

As to the Chicago Board of Trade, I would like to say a few words. You have with you today Mr. Greeley, who knows as much about the Chicago Board of Trade as I do, and he is your friend, and probably anything I say will only be what he has already told you. We have 1,622 members. Over 400 of these memberships are held by men who are not residents of our city. They would classify as non-resident members, although non-resident members and resident members have equal rights.

Membership Open to Farmers

The Chicago Board of Trade Rule 10 on Memberships has, we might say, but two qualifications for applicants; to be of good character and a man of some credit. Our membership is open to all. We welcome as a member the humblest farmer of our agricultural section. We welcome him and as a member he is the equal in his membership privilege of any other member of our association. We have no limit to our membership. The Chicago Board of Trade is not a limited organization because a limited organization might result in a monopoly. It is therefore unlimited. There are over 100 memberships changing hands every year. We have members coming in and we have other members going out. One of the advantages of being a member of our organization is the lesser rates of commission enjoyed. A non-member must pay about double the rate of commission that a member pays.

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* Mr. John R. Mauff is vice-president of the Chicago Board of Trade, and well known in grain marketing circles.

The memberships are worth about $7,500. The interest on $7,500 and the dues amount to about $500 a year. It is not an organization difficult to belong to. Prosperity in the West, I think, would bring into our membership hundreds of agriculturists who would think nothing at all of paying $7,500 for a membership. So we are open to all. All men of good character and some credit are entitled to membership in our organization. There are other organizations, I believe, of similar objects where the membership is limited, but I am glad to say that our membership is unlimited and I think will always remain so.

Commission Rates Charged

Now, the question of the rate of commission is one of the things I would like to bring to your attention, because Mr. Myers in his letter has asked in regard to our rates of commission. We will discuss the rates of commission for those who are not members of our organization, who do not have a membership registered in our organization. A membership registered in our organization carries the membership privilege to the firm, individual or corporation that the membership is registered for. At one time the rate of commission on purchases and sales for future delivery was one-quarter of a cent per bushel, or $12.50 on 5,000 bushels. That was in the days of the cheap cost of living. At the present time, with the high cost of living, and the high cost of living hits our membership as it hits every one else, the rate is only $7.50 for 5,000 bushels. I will offer a comparison to show that we are trying to bring your products and your commodities to the consumer at a very low cost to you by stating what other producers pay. One hundred bales of cotton today is worth $10,000. That is about what 5,000 bushels of wheat is worth; a little more. A few weeks ago 5,000 bushels of wheat was worth $10,000. We will transact your business on our exchange on this $10,000 worth of wheat for $7.50. The cotton exchange gets $20 for that same service. They raised the rate from $5 to $20 and their business has boomed; it has not affected the volume of their business at all. Take cottonseed oil: For 100 barrels of cottonseed oil, they charge you $15 or $7.50 each way, $7.50 for buying and $7.50 for selling. In coffee 250 bags the round turn is $20. In stocks, 100 shares of stock of a par value of over $10, the rate is $25 for buying and selling. So you can see, gentlemen, that you are in a class by yourselves in getting our kind of service at so much less than the cotton growers or the coffee growers, or the men who are engaged in buying or selling cottonseed oil or stocks are paying.

War and the Boards of Trade

I just want to call your attention to one other thing that is very interesting and it is historical. The Liverpool Corn Trade Association before the war was trading in your commodities for future delivery. When the war started, or shortly after that, a great many of the members went to the front, some never to return. The trading in your commodities for future delivery on that exchange ceased. The business has since been coming from the British Isles to America, to Chicago, to our Board of Trade. The closing up of the Liverpool Corn Trade Association, or the discontinuing of the trading there in your commodities for future delivery did not remove the necessity for trading in those commodities for future delivery. In fact, the Englishmen found out that they could not afford to stop; they had to continue placing their hedges; they had to continue trading in your commodities for future delivery, and they are doing so today, through our association. Board of trade houses that are handling the business, considering there is much additional risk, are charging three-eights to one-half a cent a bushel commission instead of the $7.50 rate, and Englishmen are so well pleased with the executions that the Chicago Board of Trade will never lose, at least a large share of that business. And the reason is this: With the large membership that we have you can always trade in wheat, corn or oats close to the last quotation, and you can trade in almost any amount without creating very violent fluctuations in the market. And that is what they consider of great value, quick execution, honest execution in large amounts without too violent fluctuations of the market. And the Englishmen are willing to pay three-eights to one-half a cent a bushel, whereas the minimum rate is $7.50.

Effect of Futures Trading

There has also been some mention made in Mr. Myers' letter of the effect of this future trading; its effect on the cash commodities. Now, my specialty has been dealing in barley. I have devoted my entire life to the study of barley, and particularly malting barley, and the improvement of the malting barley for brewing, and malting purposes. There has never been in my time future trading in barley. This is the one exception. We have future trading in wheat, oats, corn, flaxseed, timothy seed, and clover seed, but I have never known future trading in barley. And I want to say that because of that fact the margins exacted from the growers of barley by the dealers in barley is always greater than they exact in handling the other commodities. It has to be so. If I buy barley I have an unusual risk until I find a buyer, and for that reason I must have an unusual margin of profit. In fact, when I operated elevators in the country it was necessary to the rule of safety first to demand as much as five cents a bushel under what was the ruling market price because of that unusual hazard. In wheat, corn and oats the moment of purchase I find a small profit in the transaction and I can hedge it. I immediately through that process can possess myself of that small profit. I am satisfied with that and because of the hedge can handle those commodities on a very small margin. But in barley you cannot do that and I think that is pretty generally known to anyone who has been engaged in the barley business.

Cutting Costs of Handling Barley

In the City of St. Louis we paid at one time a commission on barley of two cents a bushel. Think of it, in those days of the cheap cost of living the commission merchants to sell our barley received two cents a bushel. And when the business was handled in the country on a lesser margin it became necessary for us to demand in St. Louis that those commission merchants reduce their toll. Did they do it? Not at all; they would not accept less than two cents a bushel. And those commission merchants then became buyers and sellers of barley. They would buy the barley and they would merchandise it, and in that way endeavor to get more than the one cent a bushel that we were willing to pay. Now, at the present time with the high cost of living your barley on our board of trade will be sold for one cent a bushel and handled on a smaller margin today than ever before.

What has done that? Competition. And the competition for barley comes from the maltsters, the brewers, the oat mixers, the cereal companies and the shippers of barley. You visit on the exchange what is known as the barley corner, and you will find all those interests represented. And, have they an agreement as to price? Just try to enter the market and see the competition you are up against in trying to buy a few cars of barley from Minnesota or Iowa or Wisconsin, and see the prices you have to pay. Competition? There was never such competition as exists on the board of trade in the City of Chicago today for all of our commodities, and, if you do not believe it, you have my invitation to come up on our exchange floor, and we will demonstrate this to you as a living and a moving picture; you can see it in operation.

Is Monopoly Possible?

And I want to relate another little circumstance, talking about monopoly. Where does monopoly exist in your commodities? When I was in the West I found monopoly existed usually at the country stations. At the country stations there might be a half dozen elevators, and if all those elevator buyers competed for your commodities as we compete for them on the board of trade you would have a wonderful market, but I know how it used to be done. But those days I hope are passed forever. Take one little town, Lake City, Minnesota, famous for its barley, famous everywhere for its barley. Its barley was known in all the brewing centers of the East as well as the West. There was one little elevator there among six or seven, and we owned the elevator. We were unable to compete with the Big Company, but they offered us $5,000 a year if we would simply turn the elevator over to them. We turned it over. They paid us $5,000 a year, these people that were monopolizing the barley market in that country. And when they who were monopolizing the market got to the end of their rope, which they did in time, although known as the ''Barley Kings,'' we sought to dispose of that elevator and the very best price we could get was what? We sold it for $250. That was all we could get for the elevator that monopoly valued at $5,000 a year. Now, that is real monopoly. There was no competition in that market. This ''Barley King'' made the prices ostensibly at every elevator in the town; made the prices for them all and of course big margins were exacted of the producers. Now such a thing is impossible on the Chicago Board of Trade. And why? Because of our large and diversified membership. You can go down on the board of trade today and if you want to sell any kind of grain or buy any kind of grain you can do it at once. There is always a buyer for anything you want to sell, and always a seller for anything you want to buy. It is a big, broad, open market, far removed from monopoly.

Take the cash oat market. Why, there is competition between the cereal company, the shippers and the elevator people all the time. Flour mills are competing for the wheat against the shippers, and the elevator companies. In the corn, you have the Corn Products Company, the largest of its kind in the world. They have their buyers competing with brewers, who are using some corn in beer as a substitute for barley, and, with the shippers and with all the other interests. It is a good healthy competition that is the life of our trade, and Mr. Greely knows, that without competition the board of trade would live but a very short time.

Now, some people remember the oil business. I know in the day of the oil exchange in Oil City, Pennsylvania, when I was a boy, there was no monopoly in oil. In those days it was a great big open market and everybody had the privilege of trading in oil, but when they killed the oil exchange the industry merged into a trust that had control of the situation and has had control of it ever since.

How Competition Affects Wheat Prices

Now, I want to quote, to show that competition does exist for your products. What was the result of yesterday's market? December No. 2 corn closed at 92¼ cents. The cash sales for this same grade of corn yesterday were 96¼ to 97 cents. Does that mean competition, or does that mean control of the market? No. 4 mixed corn, which is an inferior corn, two grades inferior, sold higher than the price of December No. 2 corn, for future delivery. A certain elevator man told me yesterday when I spoke of this question of monopoly, "If they come down here and see the elevator people today competing for the corn that comes into the market,—they are almost fighting one another to get possession of this corn, therefore the big premiums —they won't feel that there is no competition." December standard oats ranged 53 to 54½ cents. Now, cash standard oats sold at 55¾ cents, so there is also a premium. No. 3 white oats sold fully as high and higher than the standard oats for future delivery. No. 4, two grades below, sold fully as high as the December oats for future delivery. December wheat closed around $1.70 and cash wheat, a grade lower than this wheat, sold at $1.81 on the tables because of the competition that I have already mentioned.

I am not going into this subject too fully, but I want to call your attention to one thing that has probably been overlooked all along the line. You will remember when the war broke out about the first of August, 1914. What happened? There was a large failure on the cotton exchange, a very large failure. And what did the cotton exchanges do? Both in New York and New Orleans? They closed their doors. And before they closed their doors December cotton had had a tremendous decline, but December cotton was still selling at 10.75 cents, and in order to save the financial situation for their own members they organized a cotton corporation and took over all of the outstanding long contracts of cotton on the books of their members on the basis of nine cents for December delivery. Any commission house, members of the exchange, could sell to the corporation which was formed at that time by the bankers and the cotton exchange, the cotton belonging to their customers on their books at nine cents. The customers lost their long contracts which were closed out in that way, and fortunately so for these customers at 9 cents. Now, that was a very commendable thing for the cotton exchanges to do, because without that action many of the houses would have failed, and then can any one say what prices would have been procurable for their customers? I am not criticising the cotton exchanges. I am just trying to show you what happened.

Did Opening of Exchanges Aid Cotton Market?

Now, they remained closed until the 16th day of November. And what was cotton worth when the exchanges opened? December had closed at 10.75 cents. The corporation had taken over all this long cotton at nine cents. And you know what happened in the interval. They were begging every one of us in the North to buy a bale of cotton in the South to help the cotton growers who were in great trouble, in great need, and in great tribulation because of the situation. December cotton opened on the 16th day of November at 7.15 cents. The stock exchange also closed, and the Board of Trade of the City of Chicago called a special meeting of its board of directors, of which I was a member, one morning before the opening to decide whether we should close the exchange or keep it open.

Why Chicago Board of Trade Did Not Close

Now, to our own membership the closing of the exchange would not have been a hardship at that particular time, but it would have been a serious blow to the producers and the country at large and so we did not close. And I will just read you what was said in one of our publications that day upon the action of the Chicago Board of Trade. This is from the "Daily Trade Bulletin" of July 31, 1914:

> "The Chicago Board of Trade is certainly entitled to the credit of remaining open and transacting business, as it has in all future financial disturbances. Notwithstanding the unsettled condition of the markets, with very frequent and wild fluctuations in

> prices, no failures have occurred, and all firms have cleared through the Clearing house. July contracts have been closed up rather satisfactorily, with the exception of mess pork. Trading, it is true, has been materially curtailed, with new business somewhat limited. The Chicago Board of Trade has weathered the financial storm, due largely to the action of its officials and some of the leading houses in the trade."

And when the stock exchange was closed, what were stocks and bonds worth? They were worth just exactly what somebody was willing to pay you for them and no more, and that somebody made his values to suit himself. I saw St. Paul selling in Chicago during that time at 71 cents. Was there ever a quotation as low as 71 cents? I am not criticising this somebody. He came to the rescue of those that had to sacrifice their holdings. But did the growers of wheat, corn, oats and other commodities have to sacrifice anything? They did not. And why? Simply because the Chicago Board of Trade remained open. It gave you daily quotations that were official and the result of competition in an open market.

Effect on Market Prices of Open Exchange

During that time the bankers would rather have a cereal warehouse receipt in the city of Chicago than a bond, because it was a liquid asset, and at the time these other exchanges closed December wheat was worth 91 cents in Chicago. Corn was worth 60 cents and oats 38.8 cents for December delivery. Now, remember the decline in cotton and stocks and everything else while the exchanges were closed. And this was the result to your commodities in the keeping open of the grain exchanges. December wheat that had closed at 91 cents on the 29th of July was $1.15 on the first of September. Corn that was 60 cents a bushel advanced in 30 days to 72½ cents. Oats that were 38.8 cents when the other exchanges closed, sold 30 days later on our exchange at 52.8 cents. What did the keeping open of our exchange mean to the growers of your commodities? I will just read one more article and then conclude, unless some one wishes additional information, and I think this is what caps the whole climax. It comes from the secretary of the New Orleans Cotton Exchange. He was asked the question, "On what date at the commencement of the war in Europe was the cotton exchange in your city closed? When was the New York cotton exchange closed? When were they opened? What was the price of your active futures when the market closed, and what was the price of your active futures when it opened? What was the highest price in the future market within six months after the cotton exchange opened? What was the condition of the cotton market in the South during the period when the cotton exchanges were closed? Now, observe his answer to the last question as to what the condition was in the South while the cotton exchanges were closed:

> "The condition in the South during the period when cotton exchanges, in which contracts for future delivery of cotton are made, were closed, was one of chaotic uncertitude. With the great price-regulating mediums closed, the sources of constant changes in values were not available, and as a consequence the prices varied as much as one-half to one cent per pound in towns adjacent to each other. There was no way for the grower to post himself as to changes in values and it was a question of selling the best way he could. Another very important factor which was removed by reason of the exchanges being closed was the innumerable number of buyers who purchased cotton and sold futures as hedges against these purchases. Inasmuch as the futures markets were closed, this class of buyers were per force retired from business and the only purchaser the farmer had was the one who had immediate need of the cotton or who was induced to buy cotton because of the almost ridiculous price at which he could secure the staple. In other words, trade conditions had retrograded and business was being done along the lines it was conducted during the time of our forefathers.
>
> "It is the honest belief and opinion of the most profound students, as well as the best posted business men of the country, that the closing of the exchanges in the early days of the European war demonstrated as well as established the absolute necessity and importance of

> transactions for future delivery. With the constant changes in prices available, every moment of the day, by reason of future contracts, the farmer, the buyer, the factor, the banker and every one interested in the cotton business knows at a glance the price of the article and is thus able to intelligently base his transactions; shut this light out and a state of darkness sets in comparable to business methods of the medieval ages.
>
> ''During the interim between the closing and the reopening of the contract exchanges, this institution received numerous telegrams from interior markets, in some instances from exchanges and in others from individuals, urging a prompt resumption of the contract business; because, under existing conditions, it was impossible to trade with any degree of safety, and consequently the market for spot cotton was much restricted.
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> ''The farmers of the South, who in former years had been to a certain extent opposed to future trading, quickly recognized the need of an unrestricted and open market, and in convention assembled at different times adopted resolutions endorsing future trading and recognizing it as a necessary modern trade adjunct.''

Farmers' Union Indorses Cotton Exchange

In conclusion I will read you just one of the many resolutions of cotton growers on that point, because they have had meetings and passed resolutions. Now, this is a resolution of a body of farmers, and I will tell you just who they are when I conclude:

> Whereas, the State of Alabama through its legislature in September last enacted a measure in favor of legitimate transactions in cotton future contracts, which at the same time prohibited, under severe penalties bucket shopping, which is gambling on the price of cotton with no intention on part of the gamblers to either receive or deliver the cotton claimed to be called for; and

WHEREAS, legitimate business on the exchanges in legal contracts is a help as a price insurance to the farmer in disposing of his products, while the bucket shop is a curse to the country, encouraging petty gambling by irresponsible parties;

NOW, THEREFORE, BE IT RESOLVED that we, the members of the President's Association of the Farmers' Educational and Coöperative Union of America and members of the marketing committee of said organization, in convention assembled at New Orleans, Louisiana, this the 9th day of March, 1916, most respectfully urge that every cotton state adopt a measure similar in form to the Alabama law;

RESOLVED FURTHER, that attention be called to the fact that the Alabama law is an endorsement of the act of Congress known as the United States Cotton Futures Act, which act is the result of years of study in the interest of the producers of cotton by the best brains and the ablest men representing the Southern states in both branches of Congress; further that its practical trial during the past year has demonstrated that (excepting Section 11 which restricted business with foreign countries) it meets the needs of the cotton grower, eliminating evils which have heretofore been complained of;

RESOLVED ALSO that the farmers of the South claim the right to dispose of their cotton either by future contract or otherwise as they may deem proper and that they claim the right to buy or sell legitimate or legal future contracts at home or abroad whenever or wherever they may consider their best interests demands, further that they are opposed to any law or laws that may in any manner restrict them in the free exercise of their judgment in reference to the handling of their business.

O. P. FORD, president and member of the marketing committee, Farmers' Union of Alabama; McFall, Alabama.

J. L. SHEPARD, president and member of the marketing committee, Farmers' Union of Florida; Greensborough, Florida.

I. N. McCollister, president and member of the marketing committee, Farmers' Union of Louisiana; Many, La.

H. N. Pope, president and member of the marketing committee, Farmers' Union of Texas; Fort Worth, Texas.

O. W. Taylor, president and member of the marketing committee, Farmers' Union of Oklahoma; Roff, Oklahoma.

COSTS IN EXPORTING GRAIN

Julius H. Barnes *

In presenting the question of export trade in grain and particularly of wheat, I could give you all manner of statistics. I could trace the production in various sections of the globe and its distribution in other consuming sections, and I would probably lose your interest in the subject. I would rather try to approach the subject from a more human side and one which will perhaps more easily and readily enlist your interest.

Every man likes to have a successful business. It is a rightful pride that a business should be successful, but I wonder how many of you appreciate that men who are in large businesses today are, in fact, in that business because it appeals to their imagination and believe they are also serving a useful public purpose and the fascination of a business which reaches into all sections and to all manner of people.

To me the export wheat trade is a very fascinating study. To cable at night and have your offers laid on the table of millers in Great Britain and France and Germany in competition with the merchants of Argentina, India, Australia and Russia; to feel that you must so perfect your methods of distribution, so eliminate all unnecessary cost that you must lay down grain there in competition with cheap labor; this to me is a very inter-

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* Mr. Barnes is a prominent exporter of Duluth, Minnesota, and New York City. He has devoted a life to grain selling and is an authority on export questions.

esting and fascinating study. I wish I could make you see the great lane of commerce in which wheat moves.

How Wheat Marketing is Continuous

Wheat is always in motion as no other crop is. Every month in the year is a harvest month in some section of the globe. As late as 1788 Great Britain raised its own supplies of wheat. After 1788 it steadily increased its imports of wheat until its manufacturing industries today annually require 240,000,000 bushels of wheat alone. After the cry of Great Britain comes that of France, of Italy, Germany, and the Scandinavian countries, and it requires 500,000,000 bushels of wheat moving across the oceans in transit each year to supply their lack of foods.

I wonder if it has ever occurred to you that it is a strange thing that whatever the prosperity of the United States today may owe to its manufacturing development, whatever it may become in a few years as a financial agent, laying toll on the finances of the world, that it still remains true that the foundation of our prosperity was laid in the broader lands of our West and the crop productions thereon. Have you ever wondered how it could be that a country with high priced labor, with its grain fields 1,500 and 2,000 miles from a seaboard could compete and could prosper in competition with the cheap labor countries of Russia and India and Argentina? When you remember that the Argentina grain fields are almost entirely within 24 hours run of a seaport; their furthermost grains can be reached in 48 hours by rail haul from a good shipping seaport and ocean transportation has always been cheap? Have you ever wondered how it was that our agricultural regions have become great consuming markets in themselves and the streets of our country towns are lined with automobiles? There must be some deep, underlying factor that enables us to meet such competition and to have prosperity thereon. I wonder if you will agree with me when I say that I believe it is due to two great factors, and the factor which I will put first is the great fresh water system of the great lakes. The Great Lakes stretch 1,500 miles inland, as broad and deep as the ocean, without current and tide; they are an ideal transportation lane. Let me show you what I mean: in 1844 Lake Superior was cut off from deep water transportation by the shallow falls of St. Mary's at the Soo. In 1844 it is recorded that all the commerce in and out of Lake Superior during the season of navigation was transported around those falls by one old grey horse and a cart. In 1846 this had increased so tremendously that two double teams were added and the entire transportation was shipped and handled by the means of three teams and the cartage which they could haul at that time. At that time the State of Michigan began the construction of a shallow canal around the falls of St. Mary's, and in 1855 that was opened, giving 12 feet of water between the western end of Lake Superior and the other lake ports. In that year 14,500 tons of shipping went in and out of Lake Superior. Commerce increased then by leaps and bounds until this year around the falls of St. Mary's and through the canals which have been created there, there will move over 100,000,000 tons of freight.

Great Lakes Cut Transportation Rates

Now, let me say to you, the wheat rate from the western end of Lake Superior to an eastern lake port is normally 1½ cents a bushel. The rail haul for that distance is 12½ cents. Coal is carried from the Lake Erie ports to the western end of Lake Superior for 30 cents a ton. By rail the rate is $2.35 a ton. Ore from the mines of Minnesota is carried normally for 40 cents a ton, while the rail haul ranges from $3.50 to $4 a ton. In other words it is a safe statement to make that on every ton of freight there is a saving made of $3 a ton either to the consumer of grain or the consumer of iron and forest products.

Since the first canal was opened in 1857 there has moved through Lake Superior canals over one thousand million tons. It is safe to say that $3 a ton has been saved in transportation charges, which has meant three thousand millions of dollars to this country in the 60 years since the first canal was opened. And remember, that is only one lake. There is enormous commerce on Lake Michigan unrecorded. Do you see what I mean when I say that no other factor in the United States has had so much to do with our commercial development and prosperity as the system of fresh water transportation on the Great Lakes.

Organization of Grain Sales' System

Another factor to which I would attribute the prosperity of our grain country and its development is the system of grain markets, the facilities of which are such that an enormous business can be safely carried on on so narrow a margin of profit that credit is readily available. You know that every grower in our country can by telephone and mail know quickly and accurately the value of his grain in the nearest primary market. You know that every grower of grain can ship his grain to be marketed at a commission charge of not over one per cent. You know that for that one per cent he buys honest and intelligent service.

Perhaps you have the idea that between the primary market and the foreign market, because of your lack of knowledge of conditions, there is an enormous profit absorbed by the exporters. There is no mystery about exporting. Ten thousand clerks employed today in the exporting houses could list you correctly the items which make up the cost of selling to foreign markets; the rail freights, the ocean insurance, the foreign brokerage and other charges, and could teach you accurately to reduce foreign credits and drafts into American dollars. One hundred export houses located in all cities of this country, New York, Baltimore, Philadelphia, Boston, Montreal, Galveston, New Orleans, Kansas City and Chicago, Minneapolis, Seattle, Winnipeg, are all competing for this business day by day. I have been in the export business almost a quarter of a century, until this war started and the risks which it involved were offset by a larger profit, I have never had one year when we could show one cent a bushel profit on the grain we have handled.

How would you like to trade in Russia where the continental houses have built up enormous establishments by paying the grower what they pleased. The country was parceled between these houses, absolutely, and there you have an example of what manipulation means.

Fighting for a Free Market in Argentina

In Argentina (until the railroads corrected it) the big Argentina houses would rent the great sheds constructed by the railroads for the storage of sacked grain. You know, in Argentina the farmer still drives to the station with his grain sacked. When he drove in he was told that all the stacking sheds are rented from the railroad. The buying agents tell him they cannot store it but they will buy it at their own price. Step by step they have done what we had already done. They are trying by legislation to do what we have already done by individual initiative, to create and establish a free market, one that is always available.

Factors That Govern Grain Prices

There is a feeling, I think, among the consuming public that grain, like butter and eggs, has seasonal abundance and seasonal scarcity and that great grain houses are storing up and in the scarce season exacting high prices. There is nothing in the history of grain to support such a theory. Take the history in the last five years, for instance, and you will find that in five of those ten years, the high point in grain was made in May, just when Texas gets its cut, in three of them in July, one in October, just as spring wheat begins to move, and only once in the last 10 years has the high point of wheat been made in February, at the time when butter and eggs are at their highest. Turning then to low points we find that in three of those years the low point was in March and two in April, just as the seasonal scarcity of wheat should develop if that theory was correct. It is the system of great terminal markets with their everyday trading which enables every grower to choose his time when he can sell it in some form.

People say there is no reason for the fluctuation in grain day by day, minute by minute. There is, in wheat. As I said, it is a great world's crop. Every month the crop is maturing somewhere. Every month its progress is under favorable or unfavorable weather in some section of the globe. The consuming millers in Europe, if America is too high, hold America off at length and buy from England or Australia or Argentina. They search the globe. The fluctuation in wheat is only the effect of the speculators and millers and producers trying to anticipate some crop progress in some section of the globe. That is the reason the price records its changes; that is the reason of the fundamental underlying fluctuations. Thus, manipulations are only the ripples on the sea of commerce.

Embargo on Grain Export Bad Policy

This leads me to the question of embargo. There has been a great wide agitation in this country to deprive the grain seller of the high prices which he is now enjoying. Those prices are made by reason of the fact that in Europe an army of men taken from producing purposes has been turned into an army manufacturing munitions. Europe is a great armed camp instead of an agricultural district, and their needs are reflected in the price you are getting for your grain today. And yet the industrial sections are trying to deprive you of the benefit of that price.

I remember receiving a few days ago a printed circular with no name responsible for it, and reading something like this, as emphasizing the need of embargo: "Surplus carried over from last crop 96,000,000 bushels." They arrive at this by taking last year's crop, the government report of consumption, and adding 74,000,000 bushels fed to cattle last year, and giving a surplus of 96,000,000. The government distinctly stated that in their report of consumption last year, they included that 74,000,000 of wheat, yet this statement carries the rate of consumption per capita arrived at including 74,000,000 in this year's consumption, although we know that there is no wheat being fed at all. The government, the official statement, gave the crop as 72,000,000 in farmer's hands and 82,000,000 in second hands.

Yet this statement, making the statement first that it is made from government publications, starts with 96,000,000 and then they add this crop and then they take 25,000,000 for short weight of spring wheat, although if they had read the government's statement they would have seen that the government clearly stated that in their estimate of crop they estimated 60 pounds to the bushel, thereby including the short weight of spring wheat by taking this basis, and they are trying to show that we are short 60,000,000 bushels of wheat for this year's needs.

Now, the significance of this is that it is the surplus price that makes your domestic markets and the grower is entitled to participate along with the rest of the country. Wages have increased in industrial centers steadily. Everything you buy is advanced by that increased wage scale, and it is right that you should have the benefit of those increased prices, too.

It is a representative from New York who introduced the embargo bills in Congress last week. I have lived in New York now three years. When the war broke out I was obliged to go to New York to live to protect my business. My home is in Duluth, and I hope to return there. But while in New York I have studied a little bit of New York living methods, and the correction of New York living does not lie in laws, but it lies in educating the individual consumer in New York to buy intelligently. Just for my own satisfaction last week I bought four or five sacks of gold medal flour. You know, they put them up in 3½ pound sacks. It looks like a sack of salt. At one store I paid 35 cents for the 3½ pound sack. Down in the tenement quarter I bought the same sack for 20 cents. I paid 20, 22, 24, 26 and 35 cents for the same flour exactly.

Whose fault is it that at one place you could buy the same article for consumption at 60 per cent of what you would pay in another? Supposing the commissioner of foods in New York, instead of calling for all the regulation that he is asking for, just published in the daily paper the information that housekeepers could buy this standard flour at 20 cents at such a store, 22 at another, and 25 at another; would that correct this? Possibly so. The New York Globe, a short time ago, tried to increase the consumption of fish, selecting a list of 146 stores in New York who agreed to sell fish subject to their inspection; The Globe had a force of inspectors, and when they discovered a lot of bad fish they would be taken off of the market. Within two weeks they were obliged to take off 40 per cent of that list because the owners could not see that their interests lay in selling approved fish. It is the pressure of public opinion calling for a certified quality that should correct that. You can't do it arbitrarily. You can't do it by law.

High Cost of Living in Medieval Times.

I wonder if you are interested in knowing what I ran across a short time ago, and which interested me immensely. It is as to the first attempt I have been able to find of fixing prices by law. I think perhaps you will be interested in knowing it. Listen to this:

> "Who is so hardened at heart and so untouched by a feeling for humanity that he can be unaware, nay that he has not noticed, that in the sale of wares which are exchanged in the market, or dealt with in the daily business of the cities, an exorbitant tendency in prices has spread to such an extent that the unbridled desire of plundering is held in check neither by abundance nor by seasons of plenty!"

It sounds like a Chicago American editorial on the meat trust, or the butter and egg trust. That was written in the year 301, 1,600 years ago by an emperor, who then attempted to set the prices at which everything in his domain should operate, and he made an itemized list of almost 1,000 articles, and he made a penalty of death to disobey the scale which he fixed. Perhaps you would be interested in some of them. Wheat sold at 33 cents a bushel. To ask more than that was to suffer death. Barley at 74, rye at 45, oats 22; pork was 7 cents a pound, and beef only 5. Butter sold at 10 cents a pound, river fish at 7 cents a pound. And in that connection I saw in Sunday's paper an advertisement of a big department store in New York offering fresh fish delivered at your house for six cents a pound.

He fixed a labor scale. The farm laborer was to get 11 cents a day; lawyer, carpenter, stone masons, blacksmiths and bakers (they were overpaid), 21 cents a day. The barber was to get 9-10 of one cent for each man he shaved. A writer who did good writing would get for 100 lines 10 9/10 cents; an employe to watch children, per child per month, 21 cents; elementary teacher, per pupil per month, 21 cents. Teacher of arithmetic got 32 cents. An advocate or lawyer for presenting a case was paid $1.09. A cowhide sold for $2.17 and a sheep skin for 8 7/10 cents. A soldier's boots were to be sold at 43 cents. Women's shoes were 23 cents. Under garments sold at $8.70. I presume most of them went without. A white bed blanket, the finest sort, of 12 pounds weight, was to bring $6.93, while genuine purple silk per pound was to be $6.22. White wool was fixed at 21 cents. It is most interesting to us to compare with today. A wage scale of 21 cents a day is now 20 times as high, while your fish sells for less money and beef sells for four times as much. The truth of the matter is that much of the cry against the high cost of living is more or less exaggerated and caused by just such unscrupulous dealers as the different men from whom I bought that flour at different prices ranging from 20 cents to 35 cents.

Even while we rebel against the prices asked we ascribe it to the general level of the high cost of living and let it go at that. I remember reading this the other day. It is recorded in a diary among other discourses, telling about having supper with a number of friends at a tavern and in that diary the writer records ''among other discourses on the spending of money and how much more chargeable a man's living is now than it was a few years ago.'' That was written 250 years ago, in February, 1666. So you see we are all right in style. For 1,600 years we have raised this same hue and cry. Now, I don't mean it is not a high public purpose to decrease every charge between the farmer and the consumer. I mean not to let this outcry carry you off your feet, because a cry becomes popular for a time. It is a legitimate field for real intelligent and helpful effort, but the remedy does not lie in such edicts as a law in Congress on embargoes. There is a way to be fair in these things, and the short cut is education. Get the knowledge to the consumer of where he can buy on a fair basis and to the grower where he can market in the fairest manner.

COÖPERATION IN CHEESE SALES

HENRY KRUMREY *

Four years ago last spring the milk producers of Sheboygan county, Wisconsin, (which county is the banner cheese producing county in the United States and Wisconsin is the banner cheese producing state in the Union, producing over one-half the cheese produced in the United States) rebelled, because they found that during the previous year their milk, which was made into cheese, and cheese is an article that is produced principally in the summer, brought them for five months in succession less than one dollar a hundred pounds. This was less than two cents a quart, a price at which milk can no longer be produced. The milk producers around the large cities began to rebel about a year ago, and they rebelled because they were getting not any more than $1.50 a hundred. If they had reason to rebel, we had a much better reason because we were getting less than one dollar a hundred. Our cheese sold that summer during the season of greatest production as low as 11 cents a pound. This same cheese, much of it at least, went into storage and was sold the next winter when farmers have very little cheese to sell, as the most and best cheese is produced during the summer when the cows go to pasture. The next thing we found was that the same cheese was being unloaded by the packers and dealers who had stored it up during the summer, at a price as high as 18 to 22 cents a pound. So the cheese we sold as low as 11 cents a pound, the speculators and packers sold as high as from 18 to 22 cents a pound, and this cheese when it reached the consumer, cost him from 25 to 30 cents a pound.

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* Former State Senator Henry Krumrey of Plymouth, Wisconsin. was the principal force in organizing the Sheboygan County Cheese Producers' Federation, and for three years has served his people without cost. This association has just purchased the warehouse it had been renting, out of a $28,000 surplus (accumulated from the business done by the federation which was incorporated for $2,000, of which about $500 was paid in). This Federation has also changed its name to the Wisconsin Cheese Producers' Federation.

Now, I believe that more of the money that the farmer gets of what the city consumer pays for his product, the better for all concerned. The more of this money he gets, the more he will be stimulated to produce. I am one of those who believe that the more money the farmer has, the more every one else has. There is a German saying, which you would be able to understand if you should happen to live up in Wisconsin, especially in that part where I do, because the great majority who live there are of German descent. It goes something like this:

"Hat der Bauer Geld
Hat es die ganze Welt."

That means, when the farmer has money, the whole world has money

Now, I believe that the farmer should get more for his cheese and the consumer should pay less.

How Cheese Prices Are Made

You have all heard of the Elgin butter board I suppose. What the Elgin butter board means to the butter producers of the country, the Plymouth cheese board means to the cheese producers. The price of cheese is made by the Plymouth board. That is, the leading cheese board of the West, fixes the price of cheese all over this country from Western New York to the Pacific coast and from Lake Superior to the Gulf of Mexico, but it does not include the State of New York.

We found that the price usually paid in the summer was very low when the dealers and the packers were loading up and filling up their storage warehouses, and by the way I want to say that the big meat packers, control and market over 75 per cent of the Wisconsin cheese. Then in the winter when but little cheese is made, the board price will be run way up, and they unload. During this last summer the board price of cheese went as low on "Twins" as 13¾ cents while "Twins" are being produced. "Twins" are a certain kind of cheese weighing 30 pounds apiece, two in a box, the box weighing about 60 pounds. This winter about three weeks ago the board price on "Twins" went up to 26 cents, and this kind of cheese is costing the consumer in the large cities from 30 to 35 cents I suppose.

The average price, as near as I can make out, that the Wisconsin farmers received for cheese during this last summer was about 16 cents I should say. Now the 26 cents board price two weeks ago did not do the farmers any good because they have very little milk at this time, and it would be better for the cheese industry I claim if cheese did not go as low in the summer and did not go as high in the winter. Both the consumer and the producer would be benefited.

Manipulating Board Prices of Cheese

Now, the boards are only for establishing the price. Very little, less than one-tenth of the cheese, is sold by the boards. The rest is contracted for outside subject to this board rate. Now I claim that a 13 cent board price in the summer and a 26 cent board price in the winter is the result of manipulation, and I will say that this is done in order that both the producer and the consumer can be fleeced. A 26 cent board price at the present time, which it was at least two weeks ago, is a detriment to the cheese industry for this reason: In the first place, as I told you before, very little cheese is produced in the winter. When cheese gets up to 26 cents wholesale, it costs the consumer in the city, as I said before, from 30 to 35 cents a pound. It has gone so high many consumers will stop eating cheese and get out of the habit, because when it goes down to 20 cents, it would be a long while before they begin eating cheese again.

We farmers are interested in having this cheese that is in storage eaten up before we begin making cheese again. We want the stocks cleared up. We want people to eat it up so when we begin producing cheese next spring, there will be a market for it and a better market for it.

I have not time in the brief period to go over the story of the organization of the Sheboygan County Cheese Producers' Federation. Out on the table near the desk you will find some pamphlets of the story of this fight as it appeared in La Follette's Magazine last year. You will also find a story of this agitation up there as it appeared in The Country Gentleman, written by James H. Collins, a regular contributor for the

Saturday Evening Post, which gives the story and a statement of the amount of business that our federation did.

We organized up there after this agitation was started the Sheboygan County Cheese Producers' Federation, an organization of over 1,000 farmers and 45 cheese factories, with an output during the flush season of over one million and a quarter pounds of cheese per month which we are selling. We own our warehouse and storage costing $25,000, and when the wholesale grocer pays us, we will say 24¼ cents per pound of cheese, that is f. o. b. Plymouth, over 24 cents of that now goes to the producer.

Farmer Control of Cheese Prices Will Aid Consumers

But the trouble is right here: We do not control enough of the output of Wisconsin cheese. I believe it would be better for the producer and consumer both, if instead of the big packers controlling the market on cheese the farmers would get control of it, and we are now branching out and attempting to organize more farmers in order that we shall get control of the market or at least a good share of the product of the Wisconsin cheese factories.

I claim that the waste in the marketing of the cheese has not been from the wholesale grocer to the consumer. The wholesale grocer's price, as a rule, is not excessive nor is the retailer's; but the waste was made mostly due to the fact that the dealers and speculators and packers who by manipulation and combination would force the price down, fill up their storage warehouses and then in the winter unload.

The same thing is true of other products. For instance, during the fall of 1915 when the farmers had hogs to sell, we got about six cents a pound for them. Last summer the few hogs we had were selling for eleven cents, but the city consumer was paying 30 cents for bacon made out of the hogs for which we got six cents, and the farmer was being blamed for the high cost of living. The high cost of living is mainly due to our marketing system that we have in this country under which the farmer only gets 50 cents of every dollar that the consumer pays for farm products, while in some countries where the farmers are thoroughly organized, they get as high as 90 cents and more. What we are after is to get more of this money that the city consumer pays for our cheese. The more of it we get the more we will be stimulated to produce cheese.

I believe that is all I will say to you at this time. I will be glad to answer any question that may be asked regarding our organization up there or regarding conditions.

Mr. Butler (of Ohio): I am a hog feeder, and I am wondering how a hog man is going to get all he should have a pound under the present conditions.

Senator Krumrey: In Denmark I understand the farmers own the packing houses. There are 45 packing houses in Denmark owned by the farmers.

Mr. Butler: We would not be able to do that here.

Senator Krumrey: I know that is a big job, but there is something wrong, especially in cheese and in hogs when they are so much lower when the farmer has them to sell and so high when he has few to sell. For instance cheese at 13¾ cents in summer when cheese is being produced, and 26 cents in winter cannot be justified. It is the result of manipulation of the market. At the same time the men that were paying 26 cents for that cheese on the board, were selling cheese for less than that and delivering it way down East somewhere. That is the packers who have this cheese in storage were willing to pay 26 cents for one carload if they can sell ten carloads, which they bought last summer even as low as 13¾, for 22 cents. By running that board price up they are able to sell it at a higher price than they otherwise would be able to do.

A Voice: Would not the packers dominate the cheeseproducers?

Senator Krumrey: Those packers control the marketing of over 75 per cent of Wisconsin cheese.

Mr. Haythorn (Colorado): Isn't it practical for the cheese producers to own their own cold storage plant and then store their own cheese and then have money to finance the cheese producers on their receipts of stored cheese?

Senator Krumrey: Oh, yes, it is. Of course, we can do that, but the farmers have all been in the habit of getting their money for the milk that is made into cheese soon after they deliver the milk, and they have not got in the habit of storing it.

Mr. Haythorn: They have got to get that habit.

Mrs. Larson (Colorado): I want to know is it practical for you to market your cheese? We have in Colorado a combination of farmers. How do you market it? Do you market it direct to the wholesalers?

Senator Krumrey: We market it direct to the wholesale grocers.

Mrs. Larson: Do you have a representative in the field to sell cheese.

Senator Krumrey: We go out on the road sometime during the year.

Mrs. Larson: Whom do you mean by "we"? You must have a representative farmer.

Senator Krumrey: I call myself a farmer although I have now retired from the farm. All my life until last spring I have lived on the farm I was born on. I sold part of it and I am now living in the city. I was a farmer all my life. Last year I had my first experience as a traveling salesman, I went out on the road selling cheese and I was very successful.

Mrs. Larson: How are your expenses paid? By the corporation or association?

Senator Krumrey: The cheese from these 45 factories is sold at our warehouse. We are supposed to retain one-fourth of a cent per pound for operating expenses. This one-fourth of a cent more than pays our expenses for rent, incoming freight, all our help and all the selling expenses. In fact, last year it amounted to a little less than one-fourth of a cent.

Mr. Line: And they sell it to the retail man and then down the line until they reach the ultimate consumer. How are you going to benefit the consumer by organizing your factories the way you have?

Senator Krumrey: As I told you before, I claim that the waste has not been from the wholesale grocer to the consumer. As a rule, the wholesale grocer's profit is not excessive. Since we organized nearly three years ago conditions are much better. They have not been able to manipulate the board price to the extent they did before.

Mr. Line: You depend wholly upon the organized tributary district to take care of your products?

Senator Krumrey: Yes.

Mr. Line: I live in Ft. Wayne, Indiana.

Senator Krumrey: I have been there and sold some cheese.

Mr. Line: You are pretty well organized. The grocers in the city are organized. Do you sell direct to the wholesale grocers?

Senator Krumrey: We are wholesale distributors.

Mr. Line: You are tied up to them?

Senator Krumrey: We are wholesale distributors. If we began selling the consumer, why, the wholesale grocers would turn us down.

MARKETING OF PERISHABLE FARM PRODUCTS AND MILK.

SOLVING KENTUCKY'S MARKET PROBLEMS

FRED MUTCHLER*

As in other states, the marketing question is hardly as acute as it was a year or so ago, on account of the fact that almost anything that any one has to sell can readily be disposed of at a fair price, and when such is the case our farmers are pretty well satisfied. I think this condition is well for the development of a marketing system, and the working out of its problems, because we will be able to get our bearings in a way that we have never been able to get them before. It will help us, I think, to see these problems with a better developed viewpoint and probably help us to prevent the making of certain mistakes in the future that we might have made if the situation had continued to remain as acute as it was a couple of years ago.

I note on this program that not so large an amount of time is given to the specific discussion of marketing problems as was given last year, and I think very justly so, because the large amount of discussion last year (as I read it from proceedings) concerned the fundamental principles underlying the development of marketing systems throughout the agricultural sections of the country. It is presumed that the fundamental principles that have been worked out during a considerable period of time are pretty well understood by all of us, and so I have been able to make myself believe that the best I could do would be to discuss some specific problem in marketing, rather than devote the time to those fundamental things that probably we are all very well acquainted with.

Fundamentals of Market Problems

I desire to state as a basis for what I am going to say afterwards, and by way of calling your attention again to the fact, that there are at least two phases of any marketing problem;

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one is very closely allied to profitable and economic production, and the other the business side of the transaction. The first phase includes what we ordinarily term "economy in production," which is just as important a factor in the marketing of products as the business side.

We are coming to understand in the State of Kentucky, that if we can reduce the cost of production, it will give us a larger margin when we come to marketing our products, and that this is one of the ways of helping in the solution of the marketing problem; we are therefore trying to reduce the cost of production in our state. The other phase, the business phase, the management side, which is possibly the most difficult one, has to do with organization and coöperation.

There are two kinds of marketing organizations; one, an organization which presumes to handle all the problems that confront the farmer from a business standpoint; an organization which holds that every article that the farmer produces should be coöperatively marketed by a single organization. This is one of the older forms, and has been at work in the State of Kentucky as in all other states, and has done a very great deal of good work.

The other type is that of specific organizations for specific crops. I think that is as simple and ordinary as I can put it. It means a specific organization among farmers for the marketing of apples, strawberries, cantaloupes, livestock and so on, and I am pleased to know that in the deliberations the Federal Farm Loan Board have had concerning their problems, that they have leaned very strongly toward the idea that federal farm loan associations should not be organized with a number of other activities, but that they should be units within themselves. This is as universal as any example I can find to illustrate the kind of marketing organizations that will be in vogue in the future.

Kentucky Creates Division of Markets

Like a goodly number of other states we are attempting to solve the marketing problem in our state by the organization of a division of markets in the college of agriculture in the University of Kentucky, and most of our work now, and all of it so far as I am officially connected with it, is going out from there. I want to take up a single example, and maybe an additional one or two if I have time, but at least a single example of a successful marketing organization in the State of Kentucky, and ask you to follow me through and see whether or not it illustrates the principles, those fundamental marketing principles that we know so well and then whether it exemplifies the manner of an efficient organization for a single thing. We have studied rather closely one specific marketing organization in this country; namely, the California citrus fruit growers' organization, and we have pointed to it as being one of the successful ones.

Successful Strawberry Sales System

I call your attention now to the fact that in Warren county, Kentucky, about 10 years ago, was begun an organization for marketing strawberries; without knowing anything of the California people this association developed so that today it is practically the same thing as the California association. I doubt whether the cirtus growers of California have heard of the Warren County Strawberry Growers' Association, and I know that until within the past two or three years only a very few of the people around Warren county ever heard or knew anything about what the California people are doing. It is an example of the same thing having been worked out in two different places in the country and practically the same conclusions and results reached in almost the same way, one on a very much larger scale, however, than the other. There may be many examples of this sort.

How They Started in Warren County

The first thing that these people in Warren county settled for themselves is that old principle which we call standardization. They realized that this is one of the first essentials in marketing their product, and very soon in their work they decided that they must have a fine product in order to market it successfully. This is especially important in the case of strawberries, because they have to be moved within 12 hours after having been taken from the patch. Cold storage amounts to nothing for them. Therefore they grow today the finest quality of strawberries that are offered the trade.

In addition to growing a fine quality of strawberries they must have strawberries of a single variety, and I know of no instance in which this has shown itself in such a marked way as with their association. These people found this out, and as rapidly as possible adjusted themselves to the condition, so that at the present time they are planning to ship next year some 350,000 crates of strawberries, and I am sure it will be safe to say that 98 per cent of the crop will be of one variety. I think in the solution of a problem of this kind it is absolutely necessary to specialize on one or two standard varieties as well as to specialize for a high standard in quality. This has proven to be a good thing for these people, because everybody in this country who is interested in the trade of buying strawberries at any time knows that during a certain season beginning possibly about the 20th of May and running to the 5th or 10th of June, he can get a carload of a certain kind of berries at Bowling Green, Kentucky, as good or better than any in the world, and that amounts to very much in the marketing of any product. It is just like marketing tobacco in Central Kentucky. If a man wants Burley tobacco he has to go there to get it, or at any rate he knows that he can get the best Burley tobacco that is grown, in that section.

These Warren county people started from a very small beginning. Strawberries had long been grown there, and a few had more than they could sell on the local market, so an organization for shipping was started some 10 years ago. It is based on truly coöperative principles. There is no capital stock paid into the organization. They do pay a membership fee, and annual dues, a small amount such as is necessary to conduct the business of the association, and at the close of the year, if there is anything left after all the expenses have been paid, it is prorated back to each individual in proportion to the amount of business that he has done with the association. I think they will find that they want to modify their plan pretty soon, so that they may have a small reserve fund that can be used from time to time along such limited lines of advertising as they may wish to do.

They have now in their organization some 400 different farmers, and they are absolutely loyal to the association. Whether they are loyal to other organizations in connection with the conduct of other business does not seem to make very much difference. They are absolutely loyal and stand absolutely and solidly together in the matter of marketing that single crop. Many of them would not be interested in the marketing of any other crop that is grown down there. Some of them grow tobacco, and if the association begins to market both strawberries and tobacco, a part of them will be interested in part of the work of the organization and others will be interested in the other part. I think one of the marked features of strength in it, is the fact that they have one purpose only in view. They are largely a selling organization, although they do coöperatively buy other products, and they have found it to be of great value in this as well as selling, but it would be safe to say that over 90 per cent of their business is in selling rather than buying.

Employing a Good Manager

They have of course, a first-class business manager, and they pay him a salary that makes it possible for him to spend as much time as is needful in the conduct of the business. The manager has conducted the business successfully. I know that during the 10 years that this association has been coöperatively marketing its berries, while its business has increased from a few carloads shipped out during the first few years to 260 last year, there has been only one year in which they have not made money. Sometimes they have made larger profits than at other times, but it has been and will be a success so long as they continue the organization based as it is now on good coöperative business principles.

Guaranteeing the Pack

They guarantee their products to meet the requirements and the standards that they have set, and they make good any loss to the man who buys their product. I talked with a man from there only recently, and he told me that last season they paid back to the buyers who took this fruit off their hands, $22,000.

This was paid because of the fact that they had a wet season and some berries became water soaked and did not get into the car in the best of condition, and before they were removed were spoiled. It was suggestive to note how readily these people paid back the money they had received for fruit that was not up to standard. Hardly a murmur in connection with the problem, because they realized that the future welfare of their product depends upon keeping their faith with the people with whom they were dealing. Their manager has come to have a personal acquaintance with most of the business men in various cities that buy these berries, and about all that is necessary now is for any one of these men whom they know to send back a letter saying so many crates in the car were spoiled, and he will, almost by return mail, receive his check for the loss.

''Inner Essentials'' of Coöperation

That is what I call coöperation, and I am of the opinion we must develop that in the lives of our people in the rural communities; the attitude of mind and heart and conscience that will look upon the business man as his brother in these problems, and work them out from the standpoint of coöperation, not only on the part of the farmer and his interests, but also from the point of view that the entire development of the community, lies at the very foundation of coöperative marketing.

You can get the constitution and by-laws for this association if you want it, by writing either to the Extension Service of the State University, Lexington, Kentucky, or to the Warren County Strawberry Growers' Association, Bowling Green, Kentucky. It is a very brief document which tells very little about it. The association is constructed in the main, on the good faith of the people, and their willingness and ability brought about by the educative forces that have been at work in the field there, to work together in the development of the community at large.

In addition to the foregoing, last year we started a few other fruit growers' associations. We called them fruit growers' associations because we feel that the problem of production and of marketing must go hand in hand.

Working with Mountaineers

I call to mind now in one of the poorer sections of the state, almost on the border of the mountains of Kentucky, which you have probably read about, there were a few farmers that had been growing cantaloupes for many, many years, and it was generally understood that they were of the very best that came to the local market. The problem of seeing whether we could dispose of their surplus came up for solution. These unorganized farmers found out that after a few were sold the rest had to rot. We got them together, about 15 of them, and talked to them concerning the fundamental principles of coöperation and the marketing problem in connection with them. The first point we made with them was this: "You must allow us in the beginning to pick out a standard variety for you, and you must all grow that and no other," and then we pointed out the value of a high standard of quality. They agreed to it.

"You must then", we said, "agree to grow only a few acres in the early years, so that your product can be handled." It is a growth, of course, and the smaller the beginning, the better, so long as there is enough to be shipped in carload lots. The problem of production with them they understood pretty well, because they had practiced the art of growing cantaloupes for many years. Then we told them that we would teach them how to crate and pack this product, and we would undertake to find a market for them the first year and afterwards to help them with all the information we could, so that they could do the work themselves.

We got Rocky Fords and there were about 40 acres grown coöperatively. I wish you could have seen the first ones come in. Our inspector who went there had to throw half of them out because they were bruised and bad and had all the faults that you know about. The people could not understand why those could not be shipped. It took a good while to explain to them. Then, of course, they couldn't get 48 into a crate. "Impossible" they said, "you can't put that many cantaloupes into a crate. We have tried it every possible way." But our man did put them in the crates and they were shipped and the next day when the cantaloupes came in they had procured some sort of springs for the wagons and had put hay and straw in the beds, and they were not bruised. They had learned, probably, the very first step in coöperative marketing, and that is the production of a real first-class standard article. Suffice it to say that a few crates of those were shipped to Cincinnati and they telegraphed back and wanted two carloads a day. They were practically all sold in Lexington, Kentucky, and the records over there show that they brought 10 cents more per crate than did the California cantaloupes.

Now the practice of coöperative marketing is started in that locality, because those people made good money out of their cantaloupes when they had never made money before, and the whole problem in the solution of that problem in that particular section is to keep production down to such an extent that the growers can maintain their standard of quality and rigid inspection until the business grows large enough to warrant the services of a competent manager to conduct the business.

Other Organizing Work

In addition to the foregoing we are attempting the organization of coöperative associations for the growing and marketing of apples and other fruits, as well as vegetables in various sections of the state. The dairy products problem and the poultry products problem have come up with us and we are working on them. It will take us a long time, as it will you, in your locality.

We are making the attempt in the solution of the marketing problem in the State of Kentucky to develop organization for the production and marketing of certain specific crops along certain lines, rather than the development of single organizations for the production and marketing of all the various crops that the farmer might desire to produce.

Proper education, proper direction and proper business methods in production and marketing, and a great deal of time and much patience, will, I think, ultimately work out in the State of Kentucky, the farmer's problems to his advantage.

SELLING MICHIGAN CERTIFIED GRAPES

George E. Prater, Jr.*

I am going rapidly over conditions as we have them in the Michigan fruit belt, touching mainly on grapes, and possibly upon some of the other fruits, and show some of the difficulties we are up against, and some we have been up against and have overcome. Back some 20 years ago the Michigan grape industry was small. I am speaking of the eastern Van Buren county belt, which is known as the Lawton-Paw Paw Belt, and at the present time is known as the best belt of Concord grapes in the world; that is, it is known as that in Van Buren county.

We had some 80 or 90 acres 30 years ago and 25 years ago it was some two or three hundred. Twenty years ago it reached up past a thousand. During those times we experimented with sales congregations of fruit growers that we could get together in a body, five or six of them, to load their own cars and sell to local, or other buyers. It fell to this organization to get together the larger growers who produced several carloads and sold to the local buyers, and the smaller growers who drove into town and sold by the wagonload to the local buyers. We found as early as 20 years ago that this method which is now largely used by farmers throughout the entire Union, was going to prove ruinous to the grape industry of our section. I will cite you reasons why. With the buyer, it is not a question of how much will the market stand, and how much can the farmer realize from his crop, but how cheap can the goods be procured. I have supplied these sure buyers from the large central markets, from such markets as my friend the auctioneer here has held out to you.

But they were not giving distribution, because the large buyers paid good salaries to their representatives on the market; those buyers paid heavy hotel bills, and some of them fine poker debts when they left our country. All of which increased the price to the consumer and lowered it to the farmer. This system centralized the goods in the very largest cities, necessitating reshipments to the ultimate consumers via express or other methods of transportation, which made additional and unnecessary expenses chargeable jointly to the producer and consumer, of the profit of the large handler, expenses and salary of traveling buyer, expenses and salary of traveling salesmen, transportation expense for reshipments via express or otherwise. Not enough grapes were being consumed under this method. We must dig out our grapes or dig up a better marketing method.

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* Mr. Prater is the sales manager of the Wolverine Coöperative Company of Paw Paw, Michigan, and his thoughts are the results of actual experience in selling on the markets of the Nation.

When Grapes Sold Under Cost of Production

Under these conditions, the growers in Van Buren county were getting only an average of about 6½ cents per eight-pound basket of grapes that it was costing them 9 cents to produce. The average consumer in the United States was paying better than 28 cents each for these baskets. The trouble was that some one was getting too big a chunk of the melon, and the farmer not enough.

Finding a Way Out

We began to look into conditions at other points. Some of our New York friends had mentioned better prices and were insisting on them at that time, but the thing was taking a considerable amount of courage and finance. The trouble lay very largely with both the grower and the consumer; they were not taking each other into consideration. The grower was thinking his product was of little value and cared very little how he put it up and what class of goods he gave the consumer, and of course the consumer looked upon the grower as the nucleus of gilt from the fact that the produce he got from him was not worth what it cost. It is true the grower was getting nothing like what it cost to grow the stuff, but the consumer was paying a whole lot more than it was worth.

They were not getting a standardized product, yet they were paying for it two or three times, but the money was going to pay an unholy lot of middlemen that had gotten in between the two.

Organizing for "f. o. b." Sales

We got together associations for f. o. b. selling. I might just as well declare myself for f. o. b. selling right now as a little later on. That is our method. This was not started by our particular organization. We are one of the younger organizations in the belt; but one of the older associations in our belt started in some 18 years ago with a rubber stamp trade-mark and the grower's name on the basket. They had a thoroughly good system of inspection and put up for sale a good honest article; that is, they did not put in leaves or trash or anything like that in the basket. Of course they put in little bunches in the bottom and the good ones on top. That is perfectly natural, but they gave eight pounds to the basket, and the baskets were well filled with clean, edible stuff, and we gradually worked along up until we got within a cent or a cent and a half of the New York price. They were the means of driving the buyers out of the market almost entirely. They got better than 70, I think at one time 76 per cent, of the total growers of the Van Buren belt affiliated with that organization, and they were making a fairly good showing. Their low overhead expense and direct selling methods outpaid the cash buying system to such a degree that such buyers as were left saw the hand writing on the wall and formed other associations along similar lines, with possibly some little improvements.

When Coöperation Became a Necessity

Our organization was the last one of the five now existing to enter the field of coöperative marketing. Really, we were forced into it. Originally we were a nursery company formed largely from the membership of the other organization, to grow their grape vines, peach trees and other kinds of nursery stock for their planting, partly at a saving in cost but more particularly to insure correctness in variety and selection of types from the best strains procurable.

In connection with this we operated a coöperative seed and farm supply store, including farm machinery, spraying materials, baskets, etc., thus assuring our members quality and usually a saving in cost.

A Step Toward Standardization

There came a time when our better growers, or some of them at least, realize that we must standardize our product, there was such a variation in the quality of the fruit as grown in the vineyard that it was necessary to establish definite grades in order to protect the better growers and induce better cultural methods. That was only five years ago, and we realized that the rubber stamp proposition and the stock label proposition which any organization could secure in any quantity from the lithograph concerns, could also be gotten by the other fellow. We must have a trade mark so distinct that it could not possibly be confused with any other brands. Wolverine is the "nickname" of our state and the horse shoe the emblem of good luck, so we combined the two and put them in our label as a trade-mark. This combination design appears on all our labels, whether grapes, peaches, cherries, apples or other items which carry a label.

Our object in doing this and having this trade-mark registered, was to for all time put a trademark before the buying public that would readily be known from any and all of the other trademarks or like products that might come in competition with us. Now if anyone could ever get up a design that could be mistaken for ours, that is the immediate question. We do not think it could be done without infringement. But after we had the design, we had to back it up with something substantial, or the design would be a detriment to us.

We devised a rigid system of inspection, and a very rigid rule that guarantees to our purchasers that they will get their money back on any packages that do not prove to be absolutely as represented.

A Lesson in Standardization

In the first three years of our business, we had gotten our prices up to a par with New York. We found, in order to do this, we had to devise means of marketing the byproducts. Now, in the growing of grapes or any fruit, you are bound to have lots of stuff that is not strictly a table article, qualities that do not readily appeal to the eye. Up until this time the grapes grown in our territory had been largely packed as I heretofore suggested, with the smaller bunches on the bottom and faced up with the better ones. We cut out that practice and came out with a specific guarantee that there would be no bunches in the basket less than three inches long and no ill-shaped bunches in the package. This got a considerable better price, but in order to maintain that standard we had to arrange to take care of the byproducts.

We arranged with jell factories, wineries, etc., to use the smaller bunches, which are just as good for their purpose, and are today getting a price for this class of fruit, very near to the value of the ordinary grade of vine run. They are therefore by no means a loss to our growers. I will just cite a demonstration I gave our growers at a meeting, for packing instructions. I had talked to them as individuals with little general results. We brought into this meeting four picking trays of grapes which had been picked some 24 hours, we call it the wilting process, grapes are picked in shallow trays and let stand a sufficient length of time to have the stems wilt and become pliable before packing in the small baskets, which permits them to fold compactly in the package without cracking where the stem and fruits join. We had one of our expert packers pack the fruit from these four trays into the small baskets, to demonstrate the weight of fruits that would be taken out in packing under this system. We desired to demonstrate that the culls were of no value in the table package and would bring a fair remuneration when sold as a byproduct. Our demonstration showed conclusively that the four trays were worth twelve cents more for the selected bunches in the four quart baskets alone than they would all be if we included the smaller bunches and made vine run grade. Yet we had sixteen cents worth of wine grapes, making a gain of seven cents per tray through standardization.

The success of the organization was such that the third year we had no trouble in getting a membership sufficient to sustain our nursery, coöperative store and basket departments. We were really compelled to take in some shippers who needed a lot of education along the lines of both growing and packing. They were trading with us in our other mercantile interests, and were good valuable customers, yet a little careless about packing, but they promised to be good and we did our best to bring them up to our standards, with more or less success.

State Aid in Quality Production

We could not get a sufficient amount of good local inspectors to keep the standard up to where we had established it and had some trouble through inefficient work of this kind. We noticed, instead of getting $2\frac{1}{2}$ to 3 cents per package advance over ordinary market, we were getting barely a cent a package when the season closed. We were looking to form a method to keep the standardization where we thought it ought to be when our bureau of markets of Michigan wanted to test out a scheme for this very purpose. I do not know whether they wanted to test it out or we wanted them to; but we came to a mutual understanding that we would pay the expenses if they would furnish us inspectors and furnish a certificate that the goods were as represented, and my friend McBride's assistant, Mr. R. W. Ellsworth, had charge of the matter this year.

I presume there is a large number of association managers in this room today from different parts of the country and I want to cite this fact to you. This is the first season Michigan grapes have taken the preference on the markets, New York always taking the lead by a light margin. After the first six days of the grape business this season, there were very few discriminating markets in the United States where Michigan grapes were not quoted from two to three cents advance over New York, and held at this difference throughout the year. It was standardization which brought this about and nothing else.

I was to say something about selling Michigan certified grapes, but I never sold a car in my life, so I don't know anything about that. I supervised the loading of a great many cars of grapes last season, and sold a great many cars that were not certified. In fact, before the public knew what certified grapes meant, knew that they got a certificate from the State of Michigan with each car, and that each and every basket could be depended on to meet the demands of their most critical trade, certified cars had to go on regular orders.

After deliveries of certified cars, I never sold any more. They sold themselves. *My trouble was to sell the uncertified stock.*

Conditions in Michigan are parallel to those of many other states. In order to supply our city customers throughout the season, we have our apple, peach, pear, cherry and other loading points from which we supply our trade, thereby enabling us to supply the different Michigan fruits through a long season. Other associations and large shippers are affiliated with us to gain the benefits of better distribution and the benefits of coöperative buying and production.

Selling in the Small Towns

Right here I might say we are not working the large cities. We sell to the large cities, provided we can make proper arrangements with one or two buyers, whereby we can control the competition on our brand on that market, but we have found in the whole that the smaller towns of say 5,000 to 25,000 are better customers and effect real distribution through the fact that these markets take only small shipments when by express, but readily consume full carloads when placed on a proper price basis.

Our sales are mainly made through market letters which go to practically all the carlot buyers within reach of our shipping stations. In these market letters, we list the approximate number of cars for movement in each line of produce, for each day of the week for which the letter is issued, making this letter full of accurate news as to actual condition and volume of the goods being shipped. We make this letter accurate enough and interesting enough to be read by every recipient and we gauge the market largely by the volume of inquiry received daily on any given product. We have been very successful in this endeavor and a large percentage of the associations of our state, also large individual growers, have availed themselves of our selling service, as they could not afford to go to the expense of so elaborate a marketing system for the short season they would be on the market.

Our agreements with each and every one of these organizations are the same. We quote the price we are able to obtain each morning. If the local managers are able to sell to as good advantage or better, all well and good, they sell. If not we are advised to make the sale, or handle the cars in transit, which we call pooling.

Price-fixing and the Sherman Act

Now, to get down to brass tacks, a method of price-fixing that will stand the test of the Sherman anti-trust law, is simply to tell our clients what the market will stand on certain grades for that day. Naturally they will not take less, the market is maintained and the buyer assured of securing as low a price as his neighbor. We never tell our clients they have got to get the price we advise, we merely state what we can get for them and let them use their own judgment in selling.

Our efforts have shown conclusively that the price has been better maintained, brought better results to the grower and a more satisfactory season to the dealer than any previous season in our fruit industry. There has been considerable variation in value of the pack of the different organizations and at present it is impossible to price all packs the same, owing to this variation. What is needed, and we are working for, is either a joint agreement among the several associations to adopt uniform grades, or a state law defining definite grades to avoid this variation in values. We believe that state inspection is our key to clearing this situation. Commission merchants who are fighting state inspection do not want the shipper to have any document of this nature in his possession with which to enforce delivery on declining markets for f. o. b. purchases. However, the growers' interests are protected, and we are working on the growers' side of the fence. The sales are made f. o. b. and if the market declines the grower should not be the one to suffer the decline inasmuch as he is in no position to gain the advances which are fully as frequent. This undisputable written evidence of the condition and quality of a car of fruit by a disinterested party is a mighty valuable thing to induce the buyer to accept his purchases without reduction or complaint.

I believe I have fully demonstrated the need of standardization and the benefits of state inspection. I am not so much interested in grains, although we handle them. Their grades are pretty well established, but we need conditions whereby apples, peaches, grapes and all other fruits grown in Michigan or adjoining states will be so defined as to grades that the buyers will know just exactly what to expect, on f. o. b. quotations, and will readily purchase with confidence.

Giving Grocerymen Pointers in Grape Selling

Under our sales system, all of these products can be advantageously sold f. o. b. and shipped to towns of 2,500 up, instead of going to the large cities to be redistributed via express at additional cost to the consumer. We frequently get two or three grocerymen together to buy a car and save these extra expenses, and thereby increase consumption in their markets.

I will briefly explain our system of handling individual shippers' accounts. I have here a copy of our carlot receipt book, from which the grower is given a receipt, which is torn out and given to him, leaving a carbon copy in the book for office record. Both the original receipt and the office copy carry a serial number which never appears on any other ticket. There is only one book used for each car, hence we have this book filed for future reference should it be needed. In this ticket there is a space for the car initial, car number, number of packages, grade, gross weight and net weight, also remarks by inspector, should there be reason for comment on the load.

In sending out disbursements, we use the voucher check system. It says here in the body of the check, ''Given for the following number of packages, varieties, ticket number, price and amount.'' This ticket number in the disbursement statement corresponds with the serial ticket number of the ticket for which it is rendered in payment, and the grower can check his receipts by his remittances and know exactly what each load brought. A carbon copy of this sales report and check is kept in the disbursement book and the canceled checks pasted in their proper place when received from the bank.

I might say that our demonstration of the advisability of having a disinterested inspector this year has waked things up in Michigan so that the grape growers are realizing its value.

HOW MAINE FARMERS SELL THEIR CROPS

C. E. Embree *

I don't think anyone can tell you how to organize the farmers.. They organize themselves.

In 1910—I think I might go farther back; even go back to Horace Greeley's time, when he sent out the cry to New England, ''Go West, young man, and grow up with the country,'' and this gathering that I see before me is the result of the New England boy coming into the western country.

That cry was heeded to a very large extent by the boys and even girls of New England, and most all of the farmers in that section of the country believed that if they could own farms on the rich prairie ground that their fortune would be made. There was a time not a great many years ago, that when you went out into the country and went to the homes of the farmers, it was the old man and the old lady that met you at the door. The young man had gone to the West and, what was still worse, he had taken with him all of the available funds that the farm could afford.

I have traveled myself throughout the greater part of the western country and in fact have been in every state of the Union and three of the provinces of Canada from Nova Scotia to Vancouver, and I have yet to visit a place or a part of this Union but I have found the New England men scattered everywhere.

The result of our boys leaving home was to leave us without anyone to till the soil. In fact, there was a time when it was believed that the old New England farms were worn out and that the old dry hills could no longer be made to produce.

But soon it dawned upon the New England man that upon this field was a better gold mine; a richer gold mine than could be found in the western country. He discovered that the soil

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* Mr. C. E. Embree of Waterville, Maine, organized and was general manager of the Farmers' Union of Maine, when this address was delivered.

of Maine would produce more potatoes, would produce two and three bushels to the acre to one in any other part of the country, with the exception of Nevada and Colorado. He discovered that he could raise more barley, more wheat, more oats per acre than you could, even out in the corn and wheat belt.

But there were a great many drawbacks. It costs more to produce in the State of Maine, and soon it was discovered that the farmers would find it very difficult indeed under the system that prevailed there to bring any money out of these old farms after they had paid expenses. The trouble with Maine, the trouble with all New England, was that the system which prevailed there, the credit system, and the methods we have had of marketing the products.

They commenced finally to think of some way whereby the product of the farm would be marketed to better advantage, and they could buy their supplies without paying such a tremendous profit to the middlemen.

How the Movement Began in Maine

In 1911, by invitation of the commissioner of agriculture, I went to Maine to see if something could be done to assist the famers in getting together into an organization that would be for their benefit. The time will not permit for me to describe what was done in Maine in detail, but I think that that is not necessary. We started in, I believe, following the plan of the state and national government. First, we undertook the educational work by sending the business men out to the farmers' institute meetings to educate the farmers along business lines. The subject was generally, "The business end of farming." Finally, when the time was ripe, we started in to organize. Our first local unit was organized at Brunswick in Cumberland county. Afterwards we organized another one at Waterville, and at Dover, until in all we had eight of these small units organized in various parts of the state. Then we called a state wide meeting at Bancroft, and on June 25, 1912, we organized the central body, which is known to you all today as the Farmers' Union of Maine. This federal body in some cases in other states has been organized first, but we felt that if this organization in the state of Maine was to be successful, that we must lay the foundation and put the farmer in charge, and then as we advanced, to form our central body, so that this same farmer could follow up to this central body.

Therefore, we have today a very large board of general directors, one for each of the locals. It was not large, of course, at the time that we started, because we only had eight or nine of those little organizations scattered through the various parts of the state.

After a number of the units had been organized, we commenced to think that it was pretty nearly time that we demonstrated to the farmers of Maine how to ship their product without shipping it through the usual medium, the potato buyer; but we had no houses, no warehouses, as we call the potato shipping house. We shipped from the siding, but the cold weather sometimes was bad in North Maine. However, we were able to load almost every day, and the first winter we shipped 250 cars of potatoes to the markets and sold them successfully. The farmers themselves claim that they cleared a profit over the usual method of from $30 to $70 per car.

Organizing for Collective Purchase

Soon after starting in the jobbing of the product of the farm, in addition to potatoes we shipped hay, apples and so forth, all in carload lots. We next turned our attention to the buying of supplies. As commercial fertilizer is a very important article in Maine, we turned our attention to that. We are now purchasing from outside the state each year about 200,000 tons of commercial fertilizer, costing the farmers about $6,000,000, and this $6,000,000 all goes out of the state. At that time the most of this commercial fertilizer was sold on what they call "December payment." The fertilizer will be delivered some time in the winter and paid for after the potato picking the next fall or in December. We started to sell this fertilizer through one of our units, and they cut the price of fertilizer in the state $2 per ton, which is certainly worth looking after, for that cut of $2 a ton saves the farmers of Maine $400,000.

Building a Warehouse

The next winter or the next summer, we commenced building potato houses or warehouses, and to make a long story short, we have built up to the present time, during the four years we have been in operation, 42 of those potato houses, 45 grain storehouses, seven grocery stores, and we have located in the center of the state a wholesale grain house.

We did not locate that grain house with the wholesale grain business because we desired to, but because the wholesalers of grain forced us into the business by refusing to sell us grain. They did not exactly refuse to sell it, but they quoted the price so high that we were of course unable to buy. Therefore, we went to Waterville, and there were two men there engaged in the retail business, and one of them was then governor of the State of Maine. We prevailed upon him to turn his retail house into a wholesale house and act as buyer for the local units. That business has flourished from its start, and today there is starting through that house, flour, feed and grain to the amount of about $400,000.

Of course these figures I have given you are small as compared with some figures of the farmers' organizations out in this section of the country, but they sound quite large to the New England man, and especially to an organization which has only been in existence for four years.

At first we sold this product in Boston, and all over New England, and in New York City, through the medium of what is called their potato brokers. It is proving to be unsatisfactory, and we have organized what is known today as the Farmers' Union Distributing Company, organized under the corporation laws of Maine to do business outside of the state.

A Step Toward Centralization

We have taken out potato houses in that section which we call our eastern division of the Maine Central Railroad (from Bancroft to the New Brunswick line there are 11 towns after we start out in the producing center), and in each of these 11 towns, and placed them under the management of one man located at Mattawamkeag.

How the Sales Are Handled

This manager is located about in the center of this division and takes charge of all the shipping in that section. This was done to eliminate waste and to make the cost of shipping less. Each one of these locals along that line notifies the manager by phone that it has so many cars to sell. Then the manager of this division sends a night message to the manager at Boston, who sells those cars to the buyers in Washington, or anywhere in the New England states. He notifies the manager or in other words sends shipping directions. These cars are shipped into the market on bill of lading sight draft, or arrival draft, and the buyers have the opportunity of inspecting the cars, and if they find the stock in that car up to guarantee or to the brand under which it is shipped, they then take up the draft to the total amount for which that car was sold and that is returned to the local unit, which shipped that particular car and then at the end of the month this Boston manager sends word —sends a bill to each of these locals or to the manager of this division for $6 per car for each car that was shipped in during the month. This money is used to meet the overhead expenses. There are no commissions whatever. The manager is on a salary, and all the men that work for us in the market warehouse at Boston are on salary, and at the end of the year when we meet, if this money that is collected from various locals for disposing of goods is more than is necessary, then the board of directors vote to return it and turn it over into the knapsack or return it in dividends to the locals in accordance with the number of cars that they have shipped in.

How Locals Are Formed

To go back to the locals, I do not know as we have any particular plan. We simply drifted into things as we found it necessary, but I suppose that we are practically operating under the Rochdale system. We have constructed our houses in all kinds of ways. Very seldom were we able to sell sufficient stock to build one of our potato houses, and still they are not an expensive proposition as compared with some of your warehouses that you have erected in this western country. They cost $900 to $5,000 each, and most of them are erected by the farmers and stockholders coming forward and giving a note for say $50 and that note was handed over to the management of the local; which in turn placed those notes in the bank and collected the money and erected the house, and then by charging 10 cents per barrel for potatoes for the shipping of these potatoes they were enabled to bring together sufficient money to take up these notes as fast as they became due. Therefore, each and every one of the stockholders that belonged to that organization upon the eastern division never bought but one share of stock at $10 and we finally concluded that we people of Maine were real high financiers.

In buying supplies, conditions surrounding were very difficult. We met considerable opposition, but this we did not take any notice of, because that is always to be expected when you undertake to conduct a farmers' organization. It is generally understood in New England, that the farmer has no right to come out to the station and undertake to do business with the city or town business man. But I think the experience we have gone through in New England this last four years has convinced them that even the farmer has some rights which they are bound to take notice of.

Helping the Dairymen

In the western part of the state, or west of Waterville, is our dairy district. Most all of the farmers are engaged in dairying, and unfortunately the greater portion of the grain used to feed the cows is bought out in this western country. They discovered that in buying this grain that there was some five or six middlemen that stood between the locals and the base of supply, and since I came out to the west four weeks ago I have been trying to find some way whereby we can get directly back to the farmers' elevators and buy the kind of grain that we desire in the East; that is, mixed cars. It is quite difficult to buy mixed cars, as we sometimes have from 10 to 12 different articles in a car.

This map you will recognize, of course, as the map of the state of Maine. You will notice, in this section, at the head of Moose Head lake, starting at the outlet in the Moose Head lake, you do not see any town, and perhaps you will be surprised because I have not yet talked to anyone relative to the state of Maine that knew that there were any virgin forests in that whole state, and all the way from Moose Head lake, which they claim is the largest body of fresh water in the United States entirely surrounded by the United States, and from that up to what we call the Alleghanies, up to this highest point in the United States, all is virgin forest, and it is claimed that all over this section the white man's foot has never trod. The dairy section and the potato section of the state of Maine is along in here (indicating on map). Here is Bangor. This line, which used to be the old North American-European Railroad, running into Canada, into New Brunswick, runs from there into the St. Lawrence. All through this section from here to here (indicating on map) up to Fort Pent is, I suppose, and it is claimed one of the best potato countries in the world, and every foot of that land is valuable for agriculture. If you will follow me up to this section of Maine called Washington county, and if you would undertake to wander through this section of the state, you would probably go into some of the numerous lakes which are around there. And that reminds me that in 1911, the government at Washington sent a man to the state of Maine to make a survey of this state to determine where an artificial lake could be located. He went direct to the governor of the state, and the governor said, "I don't know whether there is room in the state of Maine to put in another lake or not."

Most all Maine farmers have a lake in their back door yard. That is the reason why you do not see any cities in this section, because it is full of lakes and rocks. If they pasture sheep in this section, you will find many cases of how they take sheep by the hind legs and let them down between the stones to get the grass. (Laughter.)

In this next section of the state (indicating on map), if you will come to the coast of Maine and go up all of the rivers,—that is, all the navigable rivers and the bays and the inlets, it will take you almost all summer to get from one end of the state to the other, and when you have arrived there you will have traveled a little over 2,000 miles, just on the coast of Maine.

But I am diverging. Here is Waterville (indicating on map), where our wholesale house is located. All of this section from here (indicating on map) down to the extreme southern point in the state of Maine is practically devoted to dairying or general farming.

Putting New England's Agriculture on the Map

Now, I think there is so much that could be said relative to the work of organization in the state of Maine that it would be useless to try to undertake to cover it tonight, but I think that I have outlined it so that you will have at least a small idea of what we are accomplishing there. But before leaving the subject, I want to call your attention to a proposition that practically all of you heard of last summer or two years ago when they started the National Dairy Show at Springfield, Massachusetts—probably you heard that a number of wealthy men in that section of the country got together and determined to put New England back again on the map agriculturally.

That movement is in its infancy today. They subscribed $750,000. They erected permanent buildings at Springfield; and when the national show was held there in Springfield last October, it was simply meant as a spectacle to direct the attention of the people of the United States and New England. But it was a paying proposition, and they were able to pay back a good dividend on the amount of money that had been expended.

These same men are now together, and are trying to raise a fund of a million dollars, this many dollars to be devoted to the organization of the farmers all over the New England states. It is intended to organize each New England state on the same plan that Maine has been organized; that is, locals first, then the central body. Afterward, representatives from the six central bodies will organize this New England central, and then, I believe, after making a thorough investigation myself of it, one of the results of this great Conference that has been held here in Chicago, will be that the National Agricultural Organization Society is going to be a real national farmers' organization of the United States, and that this central New England organization will affiliate with that organization. tion.

Now, I will call your attention again to the fact that I said that the foundation of this movement was laid at the farm, and the farmer was put in charge, not only of the leading institutions, but the lower ones; and this central body has complete control over all. Therefore, as there are only farmers in this central body, when we organize the New England central, it must be farmers that organize that; and when we send representatives from the New England central body to this national body that you have organized here, that same farmer who has started back in the wilderness, perhaps, will be up to the top, and then we will have truly a farmers' organization from the bottom to the top, and the top to the bottom.

THE AUCTION METHOD OF SELLING FRUITS AND VEGETABLES

Victor K. McElheny, Jr.*

Net returns to the grower have not been as anticipated or as hoped for. The grower claims that his net returns are not commensurate with his toil. This has centered discussion on methods of marketing. Growers are seeking the method of marketing their products that is the least burdensome. All kinds of suggestions have been made as to solving the problem of successfully marketing fruits and vegetables. Striking misconceptions, and much ignorance concerning trade conditions have been brought to light. Legislation has ben enacted in an attempt to better results. First, there is the Office of Markets and Rural Organization of the United States Department of Agriculture. Four states at this time have independent departments of markets. Other states have market bureaus connected with state departments of agriculture and in many states there are marketing bureaus connected with state agricultural colleges. Many believe that legislation of this kind will continue to be enacted until each state will have a marketing bureau or division in some form. The legislation already enacted in some of our largest states gives very broad power to the department of markets. Coincident with the enactment of legislation there has come about patient private investigation, more intelligent discussion, a wider dissemination of the facts and a clearing up of some of the misconception in this important field.

The Auction Method of Selling

Never has there been so much discussion of the auction as a selling method for fruits and vegetables as during the past year. Inquiries both by letter and by personal visit have been received by the large auction companies from all directions. I shall discuss with you the auction, the place it holds in the marketing of fruits and vegetables and its possibilities of extension to the benefit of the growers.

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Position of the Auction in Marketing Fruit and Produce

You are interested in the subject under discussion in its bearing on domestic grown fruits and vegetables, but in order to grasp the situation more fully it will be helpful to state very briefly what commodities are sold at auction abroad before stating what are sold in this country.

In England, France and Germany auctions of fruits and vegetables are very important. The four most important markets are London, Liverpool, Hamburg and Glasgow. The following commodities are there disposed of at auction:

Fruits: In Glasgow 90 per cent of all varieties whether foreign or home grown.

In Hamburg all foreign fruits.

In London 80 per cent of all foreign fruits.

In Liverpool all foreign apples, grapes and oranges.

Vegetables: In Glasgow foreign vegetables, principally from Holland.

In Hamburg foreign vegetables.

In Liverpol foreign melons, tomatoes, potatoes and onions.

In London foreign vegetables.

Flowers and Plants: In Glasgow nearly all varieties.

In London both plants and cut flowers.

These sales are very important. To emphasize their importance I call to your attention that England's oversea importations of. fruits and vegetables are greatly in excess of its home production.

In this country about $50,000,000 annually of fruits and a respectable quantity of vegetables are sold through the auction. I shall give these in some detail as I shall refer later to them. In the large markets such as New York the following fruits and vegetables are sold at auction.

California Deciduous: Cherries, apricots, peaches, plums, prunes, pears, grapes, fresh figs.

Northwestern Deciduous: Cherries, peaches, plums, prunes, pears, grapes, box apples in limited quantities.

Other fruits also sold at auction in New York are:

Colorado peaches.

Arizona grapes and oranges.

California oranges, tangerines, lemons and grape fruit.

Florida oranges, tangerines and grape fruit.

Bananas.

Porto Rico pineapples, oranges and grape fruit.

Sicilian lemons.

Isle of Pines grape fruit.

Jamaica grape fruit.

Spanish onions.

Cuban pineapples and grape fruit.

Spanish grapes.

Spanish and Italian chestnuts.

Garlic in limited quantities.

New York State apples and pears in limited quantities.

In the smaller markets an even greater variety is sold. Taking Kansas City, Montreal and New Orleans as examples, practically all varieties of fruits and vegetables are sold at auction.

Advantages Enjoyed by Those Who Sell at Auction

Publicity: It is an immense advantage to a grower to have his commodity sold in his presence and be permitted himself to take down the name of the buyer and the price bid. Each sale is a public record which the grower can examine at any time. This feature eliminates at one stroke all complaints about improper returns. The grower knows that he will have returned to him all his goods sell for and on every sale. It gives the grower peace of mind which is an asset in any industry. And the greater an industry becomes the more the necessity for this publicity. Publicity as to the price paid is an important factor in keeping down the profit of the buyer. Where for example, the buyer is a jobber, the retailer who buys from the jobber can inform himself as to what the jobber has paid at auction and with this knowledge can decline to pay the jobber an exorbitant profit. This result actually takes place. Likewise the consumer can readily keep informed as to what the auction article sells for at wholesale and knowledge can be made an important regulator of prices. All other things being equal, the one feature of publicity should merit for the auction system the serious consideration of all growers.

Competitive Bidding: Another advantage in competitive bidding. By this means the grower secures the market value of his goods. The experienced auctioneer knows the buyer, knows what buyers deal in the same grades of fruit and with this competition, open and fair the buyer must pay all that he can and still leave for himself a fair profit. And by this method the buyer will not reap an undue profit by reason of the publicity given as to what he pays. The buyers like the method. They are not carrying on their business in the dark. They know what their competitor is paying and with their cost of goods very nearly the same there results a keen business race to distribute the purchases.

Facilitates Distribution: In perishable commodities, in semi-perishable and very often in other commodities it is an immense advantage to the grower to have his goods go into consumption as speedily as possible. Auction is par excellence in accomplishing this. Auction concentrates the sellers, the buyers and the commodity at one point at one time. For example, in New York at times 75 carloads of California oranges or 100 carloads of California small fruits are sold in one day. The buyers, the sellers and the commodity are concentrated at one place at one time. Remember there is represented in such sales a large variety of fruits of various qualities and sizes and a large number of growers.

Now just picture for yourself several hundred buyers going to several stores to buy that fruit, if it were sold at private sale. Remember that delay means waste. Remember that loss of time by the buyer means waste. The buyer's time is money. And who pays for this waste? The grower! The grower too often fails to put any importance on waste of time. It does not appeal to him as does a wasted box of fruit. If a grower sees a wasted package of fruit he has something tangible upon which to estimate a loss. He may estimate a loss of say 50 cents or

$1 per package. But loss of time by the buyer is intangible and something which the grower fails to appreciate although the loss in the aggregate may be considerable.

Relief of a Glutted Market: The auction can relieve a glutted market as no other medium can. Just as soon as the market sags the representatives of the peddlers and the push-cart men at the auction buy heavily. With all the push-carts and peddler's wagons featuring a commodity, many not handling anything else for the time being, vast quantities of fruit can be disposed of in case of a glut. The result is that consumption is greatly increased. The glut is relieved, prices rebound and the market becomes normal.

Full Market Value When the Demand Is Strong: This was pointedly illustrated in New York this past summer. In the month of July, 1916, there were sold at auction in New York 192,115 boxes of Bartlett pears at an average of $2.28 per box as compared with 94,565 boxes in the month of July, 1915, at an average of $1.92 per box. Likewise in the month of August, 1916, there was sold at auction in New York 278,125 boxes of Bartlett Pears at an average of $2.89 per box as compared with 235,726 boxes in the month of August, 1915, at an average of $1.62 per box. On June 16, 1916, a car of San Jose, California, cherries sold for a gross of $5,400, while a year ago a similar shipment sold for $2,000 per car less. Similar illustrations could be multiplied indefinitely.

Full Market Value for Both High-Class and Inferior Grades: A relic of ignorance and prejudice on the subject of public sale as a means of distribution is the feeling held by some of the less informed that the auction might sacrifice high-class fruit. Nothing could be further from the facts. There are present at each sale representatives of fine fruiterers and high class grocery houses, brokers representing high class hotels, restaurants and retail houses and jobbers who specialize in high grade fruits, all interested in high class fruit only. The result is that these fruits are bid up to the highest price that the market will warrant. In fact prices are realized at times for high grades of oranges, grape fruit, Spanish grapes, lemons, pears, California grapes, plums and cherries sold at Auction that could be secured in no other way. Furthermore the auction is the keenest discriminator between the fruit of the careful grower and packer and that of the careless. Every grower and packer who uses intelligence, time and care in the production and packing of his fruit wants these elements recognized. No system equals the auction in recognizing what is good and in paying for it accordingly. The auction is the place above all where each grower's effort stands on its own merit.

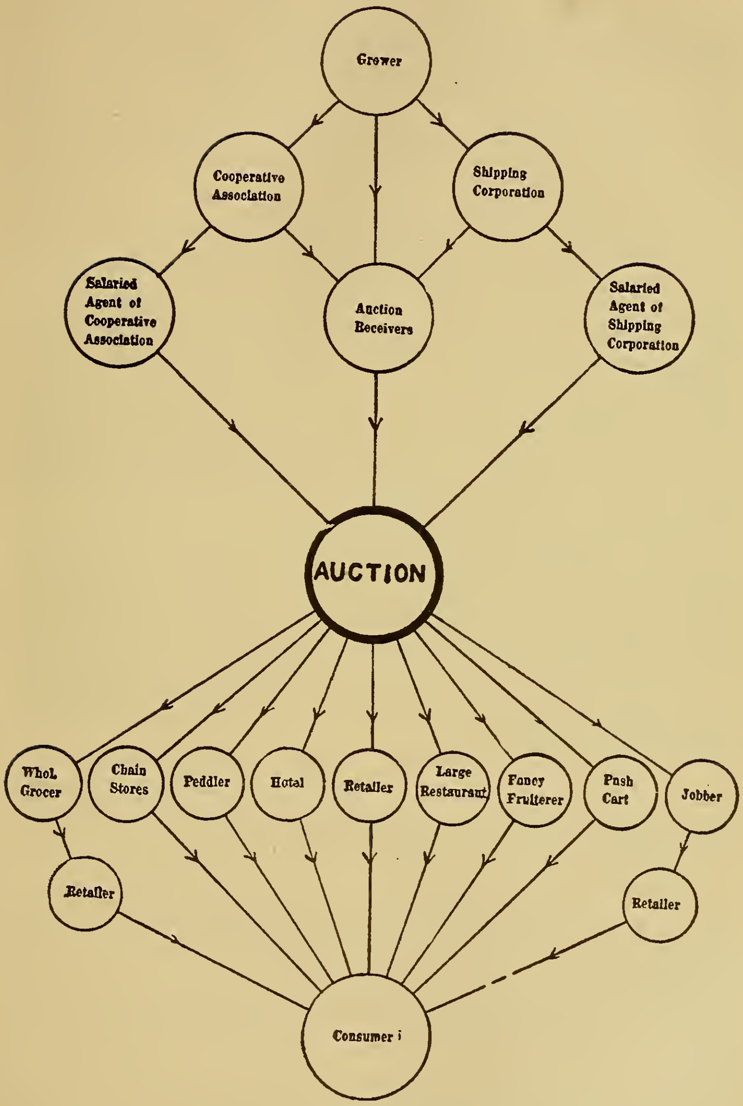
Equality of Large and Small Growers: At the auction the only inequality is that of the quality and condition of the commodity offered. No seller receives more money because he is a large and influential grower and no grower receives less because his offering is too modest. Each man's fruit sells on its merit. It is not the man the buyer has in mind when he bids but the quality and condition of the commodity.

Widening of Distribution: Does the auction distribute a greater quantity of a commodity than private sale? We are confident that it does but we have not at hand the data to demonstrate this matter in a conclusive way. We are endeavoring to collect data on this subject in which all conditions are substantially similar. Bearing on this question we can say the following: We are confident auction increases the number of buyers of a commodity. In New York the auction buyers are as follows:

Wholesale grocers,
Chain stores,
Peddlers,
Hotels,
Retailers,
Large Restaurants,
Fancy fruiterers,
Push carts,
Jobbers.

The percentage of fruit each buys is approximately the following:

Wholesale grocer 5 per cent (Almeria grapes 20 per cent, lemons 20 per cent); chain stores 10 per cent; peddlers 10 per cent (California deciduous 20 per cent); hotels, large restaurants 5 per cent; retailer 15 per cent; push carts 5 per cent; jobbers 40 per cent; fancy fruiterers 10 per cent.


Grower
Cooperative Association
Shipping Corporation
Salaried Agent of Cooperative Association
Auction Receivers
Salaried Agent of Shipping Corporation
AUCTION
Whol. Grocer
Chain Stores
Peddler
Hotel
Retailer
Large Restaurant
Fancy Fruiterer
Push Cart
Jobber
Retailer
Retailer
Consumer

A recent concrete example of the way auction sale of fruit increases the number of buyers and thereby widens distribution is the sale of bananas at public auction in the cities of New York and Baltimore. The company importing the largest amount of bananas changed from private sale to public sale in New York City April, 1913, and in Baltimore July 1, 1914, with the result that the number of buyers increased nearly tenfold. It has happened that in a single year in some auction cities sales of California deciduous fruits have increased 30 per cent, and in a period of five years 100 per cent when California had a heavy crop; and the auction has been sufficiently flexible to take care of and distribute satisfactorily the increased crop. Similarly sales at auction of Florida oranges in Boston have in a period of five years increased 200 per cent.

California deciduous growers, by reason of dissatisfaction with private selling, turned to the auction 28 years ago when their crop was 1,000 cars annually. Today their crop is 17,000 cars annually. No selling system other than the auction could handle that large crop in large cities.

The large number of buyers that deal exclusively in commodities sold at auction being assured of a source of supply at auction would welcome the opportunity to add other commodities to the list already dealt in. In addition buyers who deal in commodities not sold at auction would follow those commodities into the auction.

An important factor bearing on this matter of a wider distribution is the fact that the auction price is public. The retailer thereby knows that the true market price is established by the auction. That knowledge keeps down the jobber's profit and this aids distribution. A wide distribution aids the grower. I will refer to this more in detail later on in dealing with the methods of the wholesale house as compared with the auction.

The Auction Remits the Proceeds of the Sale the Day After the Sale:

The auction sells to the buyers on credit. In New York City the terms of credit given to buyers are 10, 15 and 30 days respectively, depending upon the variety of fruit sold. However, the auction discounts the sale and guarantees the seller against any loss arising from the insolvency of the buyer and therefore within 24 hours of the sale sends to the seller an "Account Sales" together with a check for the amount of the sale less the auction commission.

Also the expense of selling goods shipped in carlots is substantially less at auction than by other methods.

Shortest Wholesale Route From Producer to Consumer

Students of marketing recognize that only an infinitesimal amount of the grower's production can be marketed by him direct to the consumer. Such marketing can in the aggregate help either the grower or the consumer but very little. It is universally conceded that some method of wholesale distribution is essential for efficient distribution. In order to demonstrate the possibilities of the auction as a method of wholesale distribution between the grower and the consumer, I again call to your attention the number of classes of buyers in the New York market, as I have already pointed them out and I also call your attention to the diagram setting out the present position of auction in the channel of distribution. Taking, for example, the coöperative organization of growers and its agent in the auction market as one; or taking the shipping corporation and its agent in the auction market as one we have the following steps between the grower and the consumer:

(a) Grower.
(b) Coöperative organization of growers or shipping corporation.
(c) Auction (wholesale).
(d) Retailer, large restaurant, fancy fruiterers, hotels, etc.
(e) Consumer.

There is in the foregoing, one wholesale unit in the large market that performs its functions with a minimum burden both to the producer and the consumer. I point out the foregoing to show the possibilities of the auction. No other present method of wholesale marketing in large cities is as efficient as the auction, or occupies a position so close both to producer and consumer. The large cost of marketing is to be found in the marketing units under subdivision (d). I do not mean to state that the units under subdivision (d) charge exorbitantly for the service demanded from them by the consumer. I merely state the fact that the largest cost of marketing is to be found connected with the units under subdivision (d). The possibilities of the auction as an efficient wholesale method of distribution as I have herein pointed out, and the large cost of marketing of the units under subdivision (d) were fully recognized by the report of the committee on markets, prices and costs of the New York State Food Investigating Committee, issued under date of August 1, 1912.

Possibilities of Extension of the Auction

The possibilities for the extension of the auction to other lines of fruit and to vegetables are large.

There are two classes of objectors to the sale of fruits and vegetables at auction. One says certain fruits or certain vegetables are too perishable. Another says a certain commodity is not perishable enough. Referring to the agitation for selling cantaloupes at auction one private seller wrote that it could not be done because they are too much alike. It may be someone can tell me what he had in mind. In reply to the objections just mentioned let me say that all fruits and vegetables are now being sold at auction successfully, either here or abroad, whether they are perishable, semi-perishable or otherwise. It is no experiment. The fact that these commodities are sold in the large foreign markets and in certain domestic markets show that it can be done, and that there is nothing in the perishability or lack of perishability of the commodity to prevent its being an auction commodity. It is simply a waste of time to take up each variety of fruit and vegetable not sold at auction in this country and discuss as to whether or not it can be sold publicly instead of privately. The question is not as to whether a certain line of fruit or vegetable can be sold at auction but whether it is an advantage to do so, and what are the practical difficulties in the way. A private seller will tell you that boxed apples, barreled apples, Georgia peaches, New York State peaches, etc., cannot be sold at auction, and yet millions of boxes and barrels of apples shipped from the United States are sold annually abroad, and California peaches are successfully sold at auction in this country in the large markets. The question of the perishability or the lack of perishability of the article has no bearing on the question as to whether it can or can not be sold at auction. In passing permit me to say that I doubt whether there is anything more perishable than California fresh figs and yet they are sold successfully at auction and no thought given to that phase of the subject.

Selling California Fruits

Bearing on this question as to what extent the auction may be extended to other fruits and to vegetables, I will first point out the characteristics of the commodities now sold at auction. Let us take the domestic grown commodities sold at auction in the large markets of this country and let us take the outstanding characteristics of these commodities. Let us take California fruits as an example:

1. We have a constant supply at the auction.
2. They come in carlots.
3. They are well graded, well packed and in uniform packages.
4. While they come in carlots still these carlots are in many instances made up of the shipments of various growers.

Those are the chief characteristics of domestic commodities sold at auction in the large markets. Now, what are the essentials of an auction commodity?

I have given you three prominent characteristics of California commodities sold at auction. In my judgment there is one essential and that is a constant supply in order to attract the buyers. No arbitrary percentage of the total sales of a commodity in a market can be named as necessary in order to make the auction a success. In years of a full crop the auction should be supplied with a fair share of the commodity sold in a market. The same percentage of the total offering of a commodity in a market is not so essential in years of a short crop, or in a case where, for example, vegetables come into northern markets in the winter time or early spring such as is the case with Cuban vegetables.

I do not minimize the desirability and importance of having the commodity come in carlots, well graded, well packed and in standardized packages. It will greatly assist the auction, reduce the expense of handling and increase the grower's returns to have commodities come in that way, but it is not essential.

With what I have now just said in mind, consider the number of commodities not now sold at auction, which now possess all the characteristics of the California commodities so successfully sold at auction.

Practical Difficulties in Turning New Lines to the Auction

As I have pointed out the auction is susceptible of a large extension. There are many lines of domestic-grown fruits and vegetables that now have the same characteristics pointed out with respect to California fruits so successfully sold at auction. Each year there will be other varieties that will take on these characteristics. Why are these not now sold at auction in the large markets?

Before stating the practical difficulties in turning new lines to the auction let me point out that 50 per cent of the fruits now sold at auction in this country are grown in California and Florida. Also let me further point out that of the domestic grown fruits sold at auction the largest percentage of the auction offerings from these two states comes from California. That fact is food for thought. Why is that? Certainly prominent among the reasons is that the California grower was under the necessity, if he intended to use the far eastern markets, to adopt the very best marketing agency. He had the freight rate against him, also refrigerating charges. Also he was 3,000 miles away from New York, Boston and Philadelphia. He had to live out of the proceeds of the sale of his fruit. This compelled the California growers to get together. And this compelled them also to adopt the most advantageous plan of marketing. They sent a committee east to investigate and in the face of opposition exactly similar to the opposition to the extension of the auction today the Californians adopted the auction. It is a wonderful tribute to the auction that the growers under the greatest necessity adopted it. Why not other lines?

In my judgment one of the strongest reasons that more commodities are not now sold at auction is the present organization of the business of marketing. Business is in fixed lines. We have commission men, the wholesaler and the man that combines both functions. The longer business is conducted in a certain groove the more difficult it is to change. Capital has become invested. The wholesaler and commission man either by purchases or advances finances the grower. Thereby he controls the grower's business. The grower is not a free agent. Each year these interests become harder to dislodge with the result that until the growers can work in unison as free agents it becomes increasingly difficult to change present business methods.

In the second place the auction has done no financing except paying the proceeds of the sale the day after the sale. It has not believed in advancing before the sale. This method is expensive and the solvent grower must pay in the end the losses made through unwise advances. The grower selling at auction can leave any day. The auction in no way limits his freedom of action.

In the third place many growers have been educated to f. o. b. selling. Lack of capital has made that a necessity for them. Further, many so abhor shipping to be sold privately on commission that it is difficult to make them consider any method other than f. o. b. selling.

In the fourth place prejudice and ignorance of the auction have hampered the auction. Whenever the word "auction" has appeared it has suggested to some a red flag—a man standing on a counter or chair yelling at the top of his voice and knocking down under the hammer whatever by way of rubbish happened to be at hand. With regard to the auction sales of fruit as conducted by the large auction companies, the picture is so entirely different that it is hard to make a comparison. Fostering this prejudice every commission man and every wholesaler is a foe of the auction. You, therefore, have hundreds of active agents talking against the auction all over the country. In my judgment much of this opposition is unnecessary and short sighted. I believe that there is enough business both for the first class commission man and the auction. I further believe that the auction can be an advantage to the commission man in helping him to increase his business by reason of the fact that the auction furnishes the capital by paying the proceeds of the sale the day after the sale.

Another thing bearing on the difficulties of turning new lines into the auction is that further east where these is less unity among growers the private seller is in closer touch with the grower and can the more easily foster his own business and foster opposition to the auction.

Another reason why more commodities are not now sold at auction is the trade limitation of the auction itself in the large markets. The auctions do not receive commodities direct. Excepting the case where a coöperative organization of growers or the shipping corporation has its own agent in a market the auctions sell for auction receivers who represent the growers or they sell for commission men who sell at auction commodities customarily thus sold. The result is the auction cannot efficiently solicit new business. The auction therefore in the main sells merely commodities that come to it unsolicited.

Turning New Lines to the Auction

I have just stated the difficulties that surround an extension of the auction. What is the solution of these difficulties that hedge in a greater use of the auction? The movement to overcome those difficulties must start with the growers. They must join hands. They must coöperate. There must be unity of action in shipping either through a coöperative organization or a shipping corporation or otherwise in order to offer auction buyers a constant supply. They must see the compelling necessity and then act as the California growers did. In order to get to the auction there need not necessarily be any highly organized coöperation like the California Fruit Growers' Exchange. That could come as a growth, if desired. I mean merely unity in shipping to a market to be sold at auction. That unity must be sufficient to give a constant supply. They can ship individually preferably joining together in car lots, preferably in uniform packages, but the main thing is to ship to one place to be sold at auction. Let the commodity be concentrated in one place with a determination (after a knowledge of all the facts and being convinced that they are doing the best thing) to sell at auction until some better method presents itself. It is the grower's problem which cannot be shifted to the auction.

Another possible solution is that in respect to new lines the auctions buy f. o. b. and sell their purchases at auction. In that way it could be said the auction could give a demonstration of its efficiency. Such a solution, however, would not give the full benefit of the auction to the grower, one important feature being that the profit from the buying would not go to the grower but to the auction. A factor not to be overlooked at this point is that buying means the expense of another organization, also losses at times and in the end the growers must stand all these. Another important result of this plan would be that it would make the auction interested in what it sells and this the auction endeavors to avoid.

Another suggested solution is that the auctions make advances to the growers and thus finance the grower like the private seller. This is open to the objection that it is expensive and the grower must pay the expense of maintaining the machinery including the losses made by careless or unwise advances.

A further suggested solution is that the auctions cast aside their conservatism and become direct receivers, putting solicitors in the field and thus meeting the auction's competitors on an equal footing.

Auction Method Versus Present Organization of Wholesale sale Business of Marketing Fruits and Vegetables

A forcible way of bringing the advantages of the auction method concretely to the mind is that of comparison.

Taking the New York market as an example, the business units handling fruits and vegetables in a wholesale way are the following:

(a) Commission house.
(b) Wholesale house.
(c) Wholesale-commission house.

That is the house that combines the functions of the first two mentioned. This house will either handle the commidity on commission solely or buy the commodity. In certain respects its duties are antagonistic.

(d) Wholesale-jobbing house.

(e) Auction house.

So far as the grower is concerned the wholesale house, the wholesale-commission house and the wholesale-jobber can be treated as one. So that from the grower's standpoint we in reality have in the large markets the following units handling fruits and vegetables at wholesale:

The commission house.
The wholesale house.
The auction house.

Now contrast the method of doing business of the first two with the auction method.

The Commission House Method

In the first place no record is kept available to the seller. This is a serious handicap. The greater the production of a commodity the greater the necessity for complete publicity. The grower is far distant. He needs a public method more than were he at hand. He needs the peace of mind about the selling of his commodity that the commission house cannot give. In the next place the buyers are scattered. There is not the concentration desirable. This leads to a waste of time. For example, suppose half a dozen commission houses are handling a portion of a crop a buyer must necessarily go to several houses before purchasing in order to determine the market. Commission houses cannot handle a large crop as expeditiously as is usually needed. Also buyers at private sale negotiate singly, each buyer as it were taking his turn. That takes time. Loss of time as I have pointed out is waste which the grower must pay. The commission house always necessarily has undesirable sizes and grades of the commodity which a particular buyer may not want but the buyer is oft times induced to take them by securing lower prices on desirable grades and sizes even though the good grades are shipped by a grower other than the one that shipped the poor grades. Growers careful as to grades and sizes will suffer under sales of this kind. Another important item is that the commission house does not have any standard as compared to the auction by which to tell the market price. An illustration of this is shown where a variety of fruit is sold both at auction and privately. In such cases the auction price governs and the private seller waits until the auction is over and makes his price according to the auction standard of prices. The auction price is recognized as the market price. The consensus of opinion among growers is that sales on commission at private sale are not satisfactory. This has led many to advocate f. o. b. selling by the grower. I will, therefore, discuss this method of marketing next.

The Wholesale House

This house purchases from the grower f. o. b. The house either pays cash f. o. b. as the goods are shipped or the bill of lading is sent through a bank attached to a draft. The wholesaler claims that this method is the best way of marketing but let us analyze the method of this house and see if it conducts the ideal marketing plan. In the first place the wholesaler buys for a profit. He endeavors to make that profit as large as possible. He cannot stay in business if he does not make a profit. He is content to make a large profit on a minimum distribution rather than a smaller profit on maximum sales. This is antagonistic to the grower's interest. Where there is minimum consumption and the wholesaler gets a large profit the grower receives no part of this extra large profit. The grower receives just as much per package if the wholesaler will sell more fruit at a less profit and the grower is benefited by the larger distribution. If the profit of the wholesaler is more than what a fair commission for his services for selling the commodity would be he is receiving something that belongs to the grower. Other important items are: before the wholesaler can figure a profit he must be reimbursed for his expenses and his losses. It is in the end the grower who must pay these important items. In the next place, as production becomes larger the buyers are fewer. The wholesale house then desires the goods on commission. The test of the wholesale house is in years of large production. To secure the best results any method must be continuous and there is no continuity where the wholesale house fails when most needed, that is in years of large production. In the next place when the grower is paid by the taking up of a draft with the bill of lading attached it often happens that payment of the draft is refused when there is a decline in the market. Further, the wholesaler is under the same limitation of sale as the commission house, which limitation I have above described. There is the same division of the buyers and the same waste of time and the same waste of the commodity in not getting it into consumption speedily. While the wholesaler owns the goods still all these limitations affect the growers because they affect the market price.

Now Consider the Auction Way

1. It gives complete publicity. The seller can attend the sale and note the price paid and the buyer's name. He can compare these with his account sale. This corrects one of the chief objections to private sale. Publicity of the price paid keeps down the buyers' profit and thereby widens distribution.
2. It gives concentration of the buyers, sellers and commodities in one place at one time, thereby reducing waste of time to a minimum.
3. It sells the commodity to the highest bidder after open competition, thereby producing the market price on the day of sale.
4. It procures at the sale a maximum number of buyers, by reason of the concentration above referred to.
5. It performs its services at a minimum expense.

Now, let me ask, "What present method of wholesale distribution in large cities most nearly approximates an ideal method?" "What selling system is the least burden on the grower?" I will let you answer these questions.

A Note of Warning

The auction method is no cure-all. It will not make up for poor business methods, poor grading, poor backing, poor cultivation, or for general lack of intelligence. Nor will it procure for the grower more than the full market value for his commodity. It will not procure the same price for fruit of poor quality and condition as for fruit of good quality and condition. I am afraid it may prove a grievous disappointment to the shipper that nibbles at it expecting something big offhand. The man that cannot use it for a reasonable length of time or the man that insists in shipping a few packages to the auction and at the same time a few to a commission house in order to "test" the auction had better not use it. That man has not sufficient breadth of view to make any change of methods.

The auction method must be taken in a serious way and in a way to give it a fair chance and I am confident if it be given fair treatment it will "make good."

RESULTS OF AN INVESTIGATION OF MARKETING WHOLE MILK

H. E. Horton*

> "The price he is to receive is far beyond him, in the market, governed by forces and conditions over which he has but slight, if any, control. But a penny saved in cost is just as good as a penny gained in price. . . . "—Gov. Hoard.

Some people think the milk problem begins and ends in marketing. Nothing can be farther from the facts. Marketing is bound up with production, and cannot be understood, neither can its problems be solved, without the most careful attention to the study of the cost of production.

The sources of materials with which to study the subject are as follows:

1. Annual reports, bulletins and circulars of the agricultural experiment stations.
2. Reports and bulletins of state boards of agriculture.
3. Reports of cow testing associations, issued as separates, or published by Hoard's Dairyman.

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* Dr. H. E. Horton of Chicago is agricultural commissioner for the American Steel and Wire Company.

4. Publications of the U. S. Department of Agriculture.

5. Agricultural papers; the daily press, in its news and editorial columns, and in its advertisement sections.

6. Miscellaneous sources:
    State commissions.
    Chambers of commerce. (Boston Chamber of Commerce, Cleveland Chamber of Commerce).
    Records of law cases.
    Special books and pamphlets. Larsen, C. W.: Milk Production Cost Accounts. Principles & Methods. New York, 1916.)

Dairy Industry a Storm Center

The dairying industry has been a storm center in the great social unrest, and the new line-up of economic thought, that has been taking place in this country in recent years.

The daily newspapers, the agricultural papers, have had so much to say in chronicling the doings in the dairy industry that great numbers of people are thinking over the subject. All the modern tools of ''picket'', ''boycott'', ''milk war'', ''injunction'', ''refusal to deal with organized bodies'', ''watered stock'', ''inspired publicity'', ''trusts'' have been effectively used to win and secure position.

The increase in culture and wealth in a country has always found people calling for the good tasting things to eat; among these milk, cream and butter have always taken prominent parts.

With the increase in urban populations have come new methods of selling and distributing, and unfortunately the broad vision has rarely been had: ''What has posterity done for us?'', ''Am I my brother's keeper?'' have been expressions of the spirit of the times.

Thirty to thirty-five years ago saw either the beginnings or intensification of industrial life in the country: coincident with this, the beginning of the breakdown in system of marketing.

The producers of milk did not awaken in the 70's and 80's, and even now they are but half awake and it remains for the cow testing associations to make them wide awake.

While in the past there have been sporadic attempts on part of the farmers' organizations to secure better prices for milk only this year has the movement reached large proportions.

Milk Wars at Large Centers

Three large cities, Chicago, New York and Boston, have had milk wars, and the milk producer has won against the milk distributor. Cities in all parts of the country have been aroused over the milk question.

It is claimed by the big distributors, the settlements are not settlements, and they apparently look forward to another trial of strength. The producers, flushed with success, did not stop organizing when they won, but are strengthening their associations.

The farmer produces milk of varying quality and not always clean and sanitary. The big distributor is at the same time the standardizer. The milk question is this: can consumer and producer afford to pay the distributor his price for standardizing the product?

The man who is most vitally interested in the right solution of the milk problem is the man who does not even know there is such a problem. We must look into the future, beyond the professional dairyman, to the general farmer. The small farmer, with good cows, can with the cream check acquire a small farm, build it up and add to its size. It is not difficult to believe that the cream check will make possible the populating of the now waste lands not too far removed from the railroad.

Obligations of Producers and Distributors

Milk producers and distributors have certain obligations natural to their business, and they must not shirk them. The farmer is in duty bound to eliminate the "boarder" cows, to conform to reasonable sanitary requirements, exercise normal technical skill in growing feedstuffs and feeding them. Be prepared to effectively handle excessive production of milk in the spring months. The distributor must not expect to pay dividends on excessive capitalization. He must eliminate the lost motion of distribution. He must deal directly with the producers and not through the corporation's attorney.

The controversies between producer and distributor should be handled as though they were cases in the equity courts where litigants come into court with clean hands.

The farmer will only produce milk when its production yields him a profit.

To the scientific crusade for sanitary milk, in many instances carried to extreme lengths, may be traced the reduced production of milk and the lessened numbers of dairy animals on the farm. ''Regulations'' have enabled the far-sighted distributors to establish a business on the shortcomings of the farmer and at his and the consumer's expense.

High cost of cattle feeds are playing a big part in the production of milk. Lack of interest in cow testing associations is another important item, for without the association the farmer is likely to carry boarder cows in his herd.

Another source of weakness on the part of the producer is his unwillingness to adopt diversified farming with its demand for technical training in crop growing and animal feeding.

On the part of everybody there has been a great deal of loose thinking and more loose talking on the subject of the cost of milk production and marketing, and before the problem of readjustment may be approached and studied intelligently the cost sheet must find a place on the farm, for the farmer is no exception to the rule that requires strict accounting.

The years 1915 and 1916 saw many attempts, in all parts of the country, to use strong arm tactics to bring about a change in marketing.

Chicago had its ''milk war'' or ''strike.'' The farmers stood for being organized, and this with a minimum of trouble, and the big distributors were obliged to grant the increase price demanded for milk.

The New York Milk War

The Dairymen's League of New York State originated in Orange county, New York, and was incorporated in 1907, in New Jersey, with a capital stock of $1,000,000. From the date of its incorporation on to 1916 it passed a checkered existence.

In 1916 the league had 13,000 members, with 190,000 cows. On August 28, 1916, the league held the most important meeting in its history, when it decided to make the New York State Department of Foods and Markets its exclusive agent for the sale of milk. The time for starting on this contract was placed for October 1, 1916, and the contract was to run to March 31, 1917. The dairymen decided on the following schedule of milk prices:

October	$2.17 per 100 pounds
November	2.27 per 100 pounds
December	2.27 per 100 pounds
January	2.17 per 100 pounds
February	2.12 per 100 pounds
March	2.07 per 100 pounds

These prices were to govern in the First Freight Zone for grade "B" milk, containing three per cent butter fat.

The New York milk dealers met this move of the producers by arranging for a supply of milk from other territories,—Pennsylvania and New England, and even drawing from Chicago. In this move they were unsuccessful and the supply of milk fell rapidly.

In the name of "Sanitation" the New York laws prescribed the kind of milk that may be handled in the market and it was thought by the dealers that the machinery and apparatus necessary for such handling was in their own hands. The dealers were surprised to find league milk, conforming to the law being sold to the consumer without advancing the price and this while paying the producer the agreed schedule price.

The contest rapidly entered the phase of high feelings; advice of lawyers, attempts at private settlement, yes treachery—and all these were met with a solid front by the league and the Department of Foods and Markets.

This acute phase was followed by some small dealers wishing to meet the league schedule and it was not long before 12 big dealers, controlling 65 per cent of the trade, agreed to the schedule. This practically ended the war, although several of the big dealers would not agree to the schedule.

The Boston Milk War

The New England Milk Producers' Association opened headquarters at the Quincy House, Boston, on September 28, 1916, the office being in charge of President Colby and Secretary R. Pattee, to fight for higher prices for milk. The distributors were standing pat and claiming to have signed contracts for all the milk they wanted at their price.

The association adopted a novel, and potent, means of publicity by issuing an organ known as the ''New England Milk Bulletin'': this was made possible by the coöperation of the ''New England Homestead.''

Number I., Volume I., appeared October 2, 1916, and twenty-six numbers of this very interesting publication were issued and distributed to farmers in Massachusetts, Connecticut, Maine, New Hampshire and Vermont.

The fight was the same old story of earnest determined, farmers fighting hard for their rights,—a living and reasonable, profitable price for their produce.

It would seem their opponents would never learn. They had no vision, no initiative; they played their game with the same old weapons and in the same old way, that can never win.

Friday, November 11, 1916, the fight was over; the farmers had won a schedule that promised them fair compensation for their efforts.

Briefly, what remains to be done by both sides,—the milk producer, and the milk distributor? Both sides should come into court with clean hands and with the determination to settle the business as between business men.

Dr. Horton's Solution

There are a number of things for the farmer to do and I will enumerate them with a few brief comments:

1. Farmers should be members of cow testing associations and eliminate the "boarder" cows in the herd. Massachusetts, which fought so stubbornly, has done so little with the cow testing association idea that extension workers worry over the lack of interest in this important subject.
2. There should be better bulls at the heads of herds. The bull is nine-tenths of the herd and this is a measure of his importance.
3. Cows which will produce milk with the greatest economy.
4. The farmer must keep a set of books, for it is absolutely impossible to analyze a business for profit and loss without a well kept set of books.
5. Study must be made of the cost of producing crops, and more crops must be produced and fed on the farm which milk is made. Bulletins of the Agricultural experiment stations of Minnesota, North Dakota and Nebraska on this subject should be in the hands of every farmer producing milk.
6. It would seem superfluous to say study should be made of the subject of feeding the milk cow, but here is a place for the most careful and persistent study, and on this subject there is available some splendid texts.
7. The milk producer must be in position to convert the excess production of the spring months into one or all of the merchantable forms, or he must pay the big distributor for doing the work for him. It is probable that the lack of technical training in this country will continue the present arrangement indefinitely.
8. Not enough attention is being paid to the conservation of manure. The dairy farmer must erect manure pits and be prepared to handle this valuable material to best advantage.

There are a number of things for the distributors to bear in mind:

1. There is no reason in the world why the distributor should object to collective bargaining on the part of the milk producer. This is a principle that is being established in other lines and is destined to stay with us.

2. The clumsy method of manufacturing sentiment in the press should be given up. The testimony in the two famous suits—New York, New Haven and Hartford Railroad, and the Colorado Fuel and Iron Company, is known to all men who read the papers, and every one is on the alert to discover in news items examples of subsidized writings.

3. The efforts toward municipal ownership, the granting of franchises, have awakened in the people a new view of their rights. The social sense of the country is against having good will capitalized and used against those who grant the privilege. This is true of the big units among the distributors.

4. Business men in their dealings realize that results are obtained most frequently by mutual compromise. Is there any reason why men accustomed to business dealings should require the lawyer as an intermediary? The injection of the lawyer into a deal makes people suspicious.

5. All men who have studied the subject of distribution condemn the system of retail routes, duplicated and reduplicated in every section of a city. It should be possible to greatly reduce this lost motion.

An extended, and practically complete bibliography, has been made covering all the available materials, but cannot be published for reason of the lack of space.

THE FIGHT FOR BETTER MILK PRICES IN THE NEW YORK DAIRY DISTRICT

Gwendell Bush*

In our state we have just been up against this situation, and been up against it in a very fierce sort of a way. We have, I think, in our state more cow testing associations, if you will permit me to boast—I do not wish to have it taken in any boasting way—more cow testing associations than any other state in the Union, and we have had our departments of Agriculture working on the cost of milk production for all these years and with all these forces working, with all these forces working the average production per cow in our state is something less than 5,000 pounds. Now, we ought not to be proud of this; we are not, but it is a fact we are up against it, we are facing it. We, as good dairymen, are feeding the best we know how. We read the college bulletins and the bulletins of the experiment stations, not only of our own states, but of other states, and we take every opportunity to increase our production, but in spite of all we could do we were not able to produce milk in sufficiently large quantities per cow to make us a profit from the price at which we were forced to sell it. So then this made it necessary for the dairymen not only in our state, but in New Jersey, Pennsylvania, Vermont, Massachusetts, and Connecticut, where we have members, and increasing members, to stand up and take this situation in hand. This organization I speak of—I will go back into history just a little bit—has been working and building a foundation for some six or eight years. It is known as The Dairymen's League.

I will tell you for your information, if you don't already know it, that it is a corporation, a corporation organized under the laws of New Jersey and doing business as I said a moment ago in New Jersey, Pennsylvania, New York, Connecticut, Massachusetts and Vermont. They have been building up this foundation. Last fall conditions became so acute that one of the contractors came to the meetings of the board of directors with a petition signed by 200 dairymen demanding that something be done; demanding that the Dairymen's League assert itself to get a living price for milk. And I want to tell you that we patterned our fight on the great fight waged around Chicago last spring.

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* Mr. Gwendell Bush of Little Falls, New York, is a prominent member and official of the Dairymen's League of New York.

And I want to tell you this, that according to your secretary we took your pattern and made it over better than you had made it in the first place.

So that is the condition. And I say the dairymen in those Eastern states took the greatest step the dairymen in that section had ever taken, when on August 28th, 1916, in the rooms of the department of agriculture in Albany they determined that they, through their, at that time 13,000 members, should stand up and demand a living price for their milk.

Farmers' Share in Milk Prices Too Low

I might say right here, while we had 13,000 members at that time, we have 23,000 members now; and, figuring an average of 15 cows to the head, which is small, it would be something over 350,000 cows. I might also say for your information that it takes over 400,000 cows to supply the metropolitan district around New York City. But, we have that many, and as I say we follow a pattern which is after the great fight made around Chicago. And it came at an opportune time; at a time when the price of cheese, you know, was high. We have also had an investigating committee appointed in our state recently to investigate to see whether or not the farmer or the producer was getting his share of what the consumer paid for milk. Formerly the consumer thought that the farmer was the only man making any money in our country. They thought he was getting the greater part of that 12 or 13 cents, which they were paying for milk. But this committee has shown the consumer that the farmer was getting a very little bit, a very little bit of that 12 or 13 cents which they were paying for milk. As a result the producers had the public opinion with them.

They had a right to make these demands. Why? Because they had been selling milk for a number of years at least, at less than it cost them to produce it. That is why they had a right to make these demands. We had a good experiment station, and a good college department in our state, who had been keeping these records with various farmers all over the state. Now, every record that they give us shows that it is costing from $2 to $2.25 per hundred to make milk, and the selling figures show that the price of the big dealers in New York City for the last three years was $1.52 a hundred. Why then, you say, have not all the farmers and dairymen in New York and New Jersey and Vermont, Massachusetts and Connecticut, gone out of business? Simply because they were willing to sell their products to a poor market; they were willing to work their wives and children long hours in order to keep going. And I will say this, that that metropolitan district according to the census is over 1,000 cows short of what it was three years ago. So it goes to show you that many of the men were driven out of the business. And so those men dare to stand up and demand that they get a living price. They were not like the railroad men asking for an eight hour day; they simply asked for a living profit on their milk.

Nutritive Value of Milk

And again they had a right, I say, to ask more for their product than they were getting, because it is worth more for food; it is worth more for food than they were getting. There is no protein-furnishing food that will give the amount of nutritive for the same money as milk will give. Why, here are some figures here that I wanted to give you. You have seen them already, or similar ones in the Saturday Evening Post in the issue of November 11th. It shows that a quart of milk is equivalent to three-quarters of a pound of beef in its nutritive value; it shows that a quart of milk is equivalent to eight eggs in its nutritive value, it shows that a quart of milk is equivalent to two pounds of bacon; it shows that a quart of milk is equivalent to three-fifths of a pound of ham in its nutritive value. Figure out what those different meats cost; figure out what a quart of milk costs. Those two reasons I gave you were the reasons on which the farmers based their fight. They told the dealers, "Boys, we have got the milk here for you—" I don't call it a milk strike; no more a milk strike than when you go down here and ask for a barrel of flour, and the man says, "It is ten dollars a barrel; it is there, I want you to have it, but the price is so and so, and unless you pay it you can't get it." That is just what our milkmen told these dealers: "The milk is there and we want you to have it; you have always had it; you are good fellows, but you have got to pay the price sufficient to give us a living profit, or else you can't get it."

And those men knew what it cost, in spite of all the argument that has been going on here this afternoon. I want to say that the men that were making these contracts knew what it cost to produce the milk, knew what it cost to produce this milk. We had this milk, and there were no strong methods used except where boys in times of excitement broke over and did things which the leaders did not approve of, and which they themselves would not approve of only in times of excitement. Things like that happened, but that is not what we based our fight on.

How the League Is Constituted

Those farmers had confidence in themselves and they had confidence in their leaders, and they also showed that wherever they had a leader that they could not have confidence in it didn't take long to get rid of him. And you understand—I will go back—I have just got a little off, perhaps—our organization is a corporation. A man joining that organization gets a share of stock for every 10 cows that he signs up for, and he pays $2.50 for that share of stock. You see, it costs 25 cents a cow to join. For every one cow that he signs up for he gets a tenth of a share. And a man votes his stock by proxy or person, just the same as in any corporation, and this executive committee has the necessary power. When a dealer came up in our country and tried to buy milk of any particular branch of our organization he was told, "We haven't any to sell. I have signed it all over to the league; it is their milk; I have sold it to them. Go down to New York City; you will find them at 204 Franklin street, and they are there to write your contract."

And our fellows, they just backed right up against the last ditch and they just were there with their teeth shut and determination in their eye, and they just fought there for 14 days. They had prepared themselves for 32 days, and they fought for 14 days with the result which you know, at the present time they are getting 45 cents a hundred more for milk than they got a year ago. And I dare say if they made that price today which they made the first of September they would have had to make it a little higher to get out even.

Talking with Professor Warren—pardon me, if I am a little prejudicial to my own state—talking with Professor Warren, whom I consider the best authority on the cost of production, he said to me the other day, "Bush, when you set that price I thought you had it too high, but I guess you will have to set it over again, for you haven't got it high enough now to get out." But, that again is straying away. So, as I said, the men were fighting there for 14 days, and the dealers learned an expensive lesson. I have it from the New York Times that it cost the dealers $1,500,000. I have it also from no other source than the New York Times that it cost the railroads $90,000. I have it also from the same source that it cost the farmer $500,000, but I don't think they take into consideration the fact that much of the farmer's milk was salvaged in the cheese factory and butter factory, and not wasted to any great extent. And the farmers there are fighting with confidence in one another and confidence in their leaders. They were able to shut off New York City; they were able to control it so that when they had tied up New York City, New York City was getting 30 per cent of its normal amount of milk. They held it to 30, 32, 33, 34 and then the little fellows began to sign. The little fellows began to sign, they saw their customers getting away; they saw their plants idle and closed. I want to tell you, too, we saw on some roads the milk trains withdrawn; and the little fellows began to sign after seven days.

Winning the Milk Strike

Then you will see the curve rising. You will see the milk going into New York so they were getting 43 per cent of the normal, and then again it got up, as more was released, it got up to 60 per cent. The big companies then began to see the little fellows getting in on their territory. One of the biggest companies operating in our city had 90 per cent of its stations closed. They could not stand that any longer. They said, ''Boys, what do you want; boys, what do you want?'' And they came out in all the New York papers and the papers in the small towns a few days afterwards, and they said they were very sorry that they had not kept in closer touch with the producer.

We took that for what it was worth. But I will say now that that company is the fairest of any company we deal with. After once they said, ''Boys, what do you want?'' And we told them what we wanted, and we had enforced our demands they were ready to keep their word. So far as I know they have done it. We are having our troubles with some of the smaller dealers in living up to their contract, but that is to be expected. That is to be expected; those are only isolated cases. I want to say that we were up against a very serious problem. Our fellows back there fighting like grim death probably held out of New York City 90 per cent of the normal amount of milk that came from the New York milk sheds, but those dealers had members of their organization in Indianapolis, they had members of their organization in Chicago, members of their organization in Philadelphia, members of their organization in Pittsburg, members of their organization in Boston, they had them in New Hampshire, in Maine and points in New York, and there is where they got the most of their milk from. I am going to say right along the same line that when you were making the fight of your lives here at Chicago—and if you fellows hadn't made the fight we probably never would have had the sand to have made it (applause)—and milk came—when you were making that fight it came from St. Lawrence county, New York; it came from Otsego County, New York, in here to hurt you men. And as I understood the invitation to this meeting it was to bring the men here from Boston, from Philadelphia, from Pittsburg, from Cleveland, from Chicago, from Indianapolis, and from New York, to take some steps whereby this same condition should not be created again.

We did not want back in New York to hurt you men in Illinois or you men in Indiana. We are selfish enough also not to want you to hurt us, and we will not dare to go back and face our executive committee unless this meeting here today, through its delegation, through its committee, or some other way, makes some definite steps whereby the Milk Producers' Association in Chicago, in Indianapolis, in Philadelphia, in Cleveland and New York, and all the rest have taken some steps so that they will not be cutting one another's throats in the future.

Organization for National Welfare

What can we do? What can we do? First, we must all make our contracts at the same time; we must all be using the same thing at the same time. (Applause.) And we must also have a gentleman's agreement or something more binding, whereby your organization will protect ours, and ours will protect yours.

Now, I don't know how this thing will be worked out; I don't know what the interstate commerce provisions are, but we certainly must appoint a committee here today to look into this matter. And I say if it is impossible, if we have not the instructions to start such a federation today, that we should adjourn to some definite date when you delegates shall come to some set point to perfect such an organization.

I think that is all I have to say to you. I came with you here from New York City and from the milk producers of New York to help start the ball rolling, whereby we could prevent the condition that happened here with us last fall, and with you last spring, and so on. Now, are there any questions?

A Delegate from Illinois: Have you made any arrangements or have any idea of what the actual production of milk is in regard to circumstances as they do exist in some localities?

Mr. Bush: The prices we figured on and sold milk accordingly, were the average of our state, which is practically 4,500 pounds. We beat that a little and put it to 5,000 pounds. Now, here are some figures showing new conditions which we had before the Dairymen's League took this thing in hand. In my county alone we had records on 2,300 cows, and of these 2,300 cows their average was 5,133 pounds of milk. It cost to produce a quart of milk from these cows 3.9 cents per quart. The price received was 3.3 cents, or a loss of 6/10 per cent to every pound made. So our basis of figuring was a 5,000 pound cow. I know men here have talked about 8,000 pound cows and 9,000 pound cows, but go and look up the records of your experiment stations and see how nearly your state comes to having an average of 6,000 or 7,000 or 8,000 pound cows. We will say that we have there 25,000 pound cows, and 15,000 pound cows. We do not take these into consideration. Neither do we figure on the basis of 10,000 pound cows, and neither do we figure on the basis of 3,000 pound cows. If a man cannot produce better than milk from 4,000 pound cows why then I do not believe the Dairymen's League can help him.

Mr. Bulger: Has your organization any provision for taking care of the surplus milk of its members that you cannot sell?

Mr. Bush: Like all new organizations that is one of the things we are weak in. It was taken care of through our friends who ran cheese factories and butter factories and kept off of the market as liquid and fluid milk, although I will say this, that we have over 40 coöperative plants operating in our state which we hope to start in the way of federation day after tomorrow.

We are going to federate those plants if something does not prevent us, and we are going to do business from those plants just like one man. And I will say this, that we are having delegates come into our offices, two or three of them every day, getting the information of how much it costs to build coöperative plants. We have one in our town and it is a good one, and it has made money for the man who owns stock in it. They are paying now $2.35 a hundred for milk; no test, taking the state standard, which is 15, yes, which is 20 cents above the price which the league was asking from the big dealers. They are paying for that there. They are putting aside many of these men. You could see it. They had delegations there every day, two or three of them. They are looking into how that plant is organized and how it is run; that is, where the headquarters of the league are. We had to issue many more memberships. We are encouraging it as fast as we can, the coöperative plant. This is a great economic problem, and we never can hope to control it unless we have that chance for the surplus that you speak about and the farmer-owned coöperative plan is the only chance you have. What they have done in Denmark, as it was mentioned here this afternoon, that is what made Denmark prosperous, the coöperating plants, and that is what will make dairying profitable in New York and Illinois and Minnesota and Michigan. We must have them, and we are getting them just as fast as we can.

Mr. Potter: I do not regard these two as a parallel, do you, the league and the coöperative plant?

Mr. Bush: Well, I think that they go hand in hand. The Dairymen's League depends on them. I will say this, however, that the Dairymen's League does not attempt to finance the coöperative plant in any way except perhaps it might spend a few dollars to send a man there to a certain station to explain how a coöperative plant might be organized.

Mr. Potter: Do you expect to have a special act of the legislature to federate this?

Mr. Bush: That I do not know. We are to take that up Friday. It will be taken up with attorneys. We will know what we are going to do before we start.

Mr. Potter: Just one question, then: Your coöperative plants in the Dairymen's League are a combination—

Mr. Bush: The Dairymen's League run their own affairs just as rapidly as possible; we do not finance this in any way.

Mr. Potter: The coöperative plants are separate?

Mr. Bush: Yes; they are owned by each community.

Mr. Potter: And the Dairymen's League acts as their agent.

Mr. Bush: The Dairymen's League acts as their agent to sell their milk.

Mr. Potter: Under contract?

Mr. Bush: Under contract to sell their milk.

Mr. Potter: Is not that a violation of the Interstate Commerce Act?

Mr. Bush: We have never been picked up on that.

Mr. Potter: I am asking that question, and I think it is well for you to consider that. We have a different proposition, coöperative, all one, all one organization so as to keep entirely within the law.

Mr. Bush: Well, of course, we have got to keep within the law, and we do not want to do anything that gets us outside of that, but those are the things that we have got to work out.

MARKETING OF MILK IN TWIN CITIES DAIRY DISTRICT

K. A. Kirkpatrick *

I consider it a pleasure to come before you this afternoon and report progress on the work in the Twin City district. I feel just a little hurt that our speaker who left the floor did not include Minnesota in his list of possibilities in the milk marketing proposition. I think if you will examine the record of Minnesota in the dairy line you will find she is entitled to a great deal of credit, and, in connection with milk marketing, the point has been in my mind for some time whether marketing milk is to set the price standards for cheese and butter or are cheese and butter controlled by private corporations going to set the price for marketing milk? Which shall it be? I believe they are vital and intimately related.

I wish to give you very briefly an outline of our work in the Twin City district. It was fostered by farm bureaus in four counties immediately around the Twin City district. I have the highest word of commendation for the three county agents who worked with me in that work. We have with us in the audience the man who is the father of that movement in that vicinity in the farm bureau organization work. This man went among the farmers on the representation that the farm bureaus would formulate some plan in attacking the marketing problem in relation to marketing milk.

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* Mr. K. A. Kirkpatrick of Minneapolis, Minn., is county agent for Hennepin county, and has taken an active interest in organizing the milk producers in the dairy district tributary to Minneapolis and St. Paul.

As a county agent I did not take it up out of choice to achieve fame or glory or anything of the sort, but took it up because it was demanded by some 250 farmers, at least, in my county, or at least upon investigation, that many in three or four other counties. Further investigation showed it was also demanded in about 10 counties with the Twin Cities as their center.

We got busy and organized first the local demands into local units. We based them on milk shipping points, or on milk hauling routes. When we got that done we found that our organization could not cope with the dealer organization in the Twin Cities, because we were not united and it was necessary to form some central working organization. A delegate body from these locals met and elected a central body with five men as its executive officers. These are to act on instructions from the locals.

Cost of Producing Milk in Minnesota

About the first thing we ran up against was the problem that has been up here all afternoon, the cost of production of the relative food values of milk, and we set out to find the cost of production as nearly as we could. We found that our statistical route in the dairy sections of the State of Minnesota from figures kept for some nine years gave us a cost of production applying at present feed prices of about 19 cents a gallon. We found on checking these up in the nine counties represented that a vote of the representatives from those localities showed that their estimates of the cost of production was 18.8 cents per gallon; that was their average estimate. Some person raised the point whether a farmer could accurately judge what the cost of producing and marketing milk was, and in repudiation of anything of that sort I want to say to you that I will take the average judgment of 75 representative progressive farmers just about as quick as I will any one's bookkeeping. We found also that the average vote of 75 men on the cost of production for three months of the year was 15.8 cents against 18.8 for nine months of the year. Now, what were our farmers receiving for their milk in the face of this? Some of the routes in my county represented by locals commanded 9½ cents per gallon last summer; some of them got as high as 16 cents; not because they had better milk, not because they were closer to the market, but because they happened in connection with dealers who did not pay them the price. There was absolutely no reason under Heaven why there should not have been a standard price for the same quality of milk, but some received 9½ cents and some received 16 cents a gallon for their milk.

Now, we went to work to get a concession out of these dealers, and to make a long story short I will say we have got a concession of at least three cents, and in a great many places four cents per gallon from those dealers, taking effect the 15th of February.

State Trust Law and Milk Marketing

Now, what is the obstacle in the way of the work in Minnesota? We are confronted by the most rigid anti-trust legislation of which I have any knowledge. It is an action framed to help the poor farmer, but with one of those infernal kick-back propositions in it that says, ''whenever two individuals get together and attempt to do anything to regulate the prices, maintain the prices, or fix the prices, or in any way do anything that tends to do that, they are guilty.''

If you are out in a far removed place from the city why you are in danger of having no question brought up, but when you are in the Twin Cities district, or when you are in any other district where you have such a piece of legislation as that, known to the consumers and political shysters seeking fame and glory, you are going to have something doing. So we are right up against it. And I believe that one of the problems that confronts this meeting here today is some standard recommendation or resolution that the laws should be so fashioned that coöperative non-profit organizations shall not be classed in as trusts. We have no aim whatever in our organization to defeat the law or to come within the classification of trusts. We are strictly a coöperative enterprise, and we are attempting to get only a little of what is coming to us. The retail price in that territory is 9 cents a quart at present; and the farmers are now receiving on the basis of 18 cents per gallon; that is 50 per cent, or 2 cents a gallon added if the milk is delivered at the platform of those dealers in the city.

That, in brief, covers my report to you. I will say that we took our inspiration from your Chicago fight here. You did good work and it gave us the hunch that we could do something, too.

DISCUSSION OF MILK MARKETING

Editor's Note: Following Dr. Horton's paper, a large part of which dealt with the cost of producing milk and the progress of surveys, to find out such costs, the delegates indulged in considerable comment and exchange of experiences on this topic.

Mr. Campbell (Michigan): I have listened with great interest to the gentleman who was last upon the floor, and I believe the gospel that he has given to us is all right. It perhaps should be one of the commandments to the farmer to raise the grade of his cows, but I understood this to be a marketing congress. We were here to see if we could get some small part at least of the price at which milk and its products went to the consumer. We are not here to take milk from the public nor from the sick room; we are here merely to get our small share or our proportionate share if it be possible of the price at which it goes to the consumer. Since a year ago the price of condensed milk of which my brother speaks has increased, the same grade, from $1.80 a case to $3.45 a case, which it was two months ago. Today it is more than that; it has gone up more than 100 per cent. From the man who buys your milk to the man who trades or sells it as a merchant. We want some little part of that increase. That is what we are here for.

Now, I understood this to be a marketing congress to see if there could not be something done. I know from some personal experiences that I have had that when men are organized they can say something upon the question of prices and that will be true in your condenseries over the country; the price to condenseries will be reflected in the price of milk or every other product, in a few weeks, and the prices may be given to you for another six months. I know that they have only given to us an increase now of about 17 per cent upon the price of whole milk from the price of five years ago. They are getting more than 100 per cent more for the manufactured product. And it is only done by organization. Not until the farmer and the milk producers have organized and can make their demands collective ones, will you get better prices.

Mr. Ingersoll (of Ohio): Mr. Campbell from Michigan has practically taken the words out of my mouth, that I intended to say to you, but I can still say a word which I think will be of profit. I think we must organize, and I want to say to the man from Minnesota that you have got to use the pencil before you know what you are doing. You cannot go to the consumer and tell him that you want 25 cents a gallon for milk until you can show him that it costs you that to produce it. Now, in my little farm, I own a farm, and I think I have a distinction that no other gentleman in the room has; I own a farm that has been in my family name for one hundred years the 25th of last September, and I am producing milk today on the same old farm. I keep a record, and I have organized not only the Northern Ohio Milk Producers' Association, but I organized my own business. And that is what you have to do; to keep an account of every cow, the amount of milk she gives at night and in the morning. And I do not write down what she gives, but I have the scales in the barn, and every one of my employes are instructed and they have to put it down. The footings are made correctly, and, as the gentleman spoke a few minutes ago, when we talk about a cow that will not give over 5,000 or 6,000 pounds of milk in a year, I say to you, gentlemen, you can not afford to keep her. I have grade cows that will give 2,000 pounds of milk in a month; 2,000 of milk in a month, and I have weighed it, and they are only grade. I have cows that will give over 15,000 pounds of milk in a year. Why, down in Ohio we have 10 cows that give more milk than the average 100 cows in the State of Ohio. Now, the only way that you can find that out, men, is with the old pencil.

Now, just a word in regard to the organization. We went down to Cleveland, and we were threatened with prosecution by the prosecutor of the county on account of a trust, a milk trust. We told them that we would not furnish milk at the prices they were giving. Why, some of us furnished milk last spring when the milk was flush at 10 cents a gallon net. I told the people—they had women's organizations, and the prosecutor, and a whole lot of consumers there, that we positively would not furnish milk; we were going to go out of the business if we had to furnish milk at any such price as that, but we would furnish them milk in a cold receptacle if they would pay for the receptacle and pay a fair price for it.

Now, I sent out in August some sheets to ascertain as nearly as possible the cost of milk, and I sent it to every county in our jurisdiction. The result of that investigation was that the average cost to us in August of this year was a little over 20 cents a gallon. I said to the consumers, ''All right; we will call it 20 cents, although that is less than it really is.'' I said, ''Now, then, men you must give us one cent a gallon, which is only five per cent profit.'' They said it was perfectly reasonable and fair, and I challenge any business man who will undertake as hazardous a business as producing milk to produce it at five per cent profit; it is not enough. Now, we got an advance of three cents a gallon over last year, and we are going to have another advance of three cents before the first of January or else there are going to be things doing. We have got the figures to show what it costs and the average consumer is willing to pay us what it costs to produce milk, providing we have the data in detail to prove it. There will be no trouble about it, and there will not any of us have to go to jail either, in getting what is fair and equitable.

Mr. Wilson (Illinois): I do not believe according to the price of other things that the consumer is yet paying too much for his milk. As far as organization is concerned I do not believe that the farmers, the producers of milk have got their share of the profit in that milk. We ought to have an even split. You consider our investment and the amount of labor that we put into the production of that milk, and it is nothing more than fair to say that when the distributor of that milk sells that milk for nine or ten cents a quart that we ought to have half of what he gets for it.

A Voice: Fifty-fifty.

Mr. Wilson: In all fairness it seems to me that that is what we ought to work for; work for efficiency and work for a split on a fifty-fifty proposition.

Chairman Hibbard: Allow me to make this remark: That the chairman was not unaware of the fact that this is a marketing conference, but having been consulted on the subject of marketing milk a good many times during the past years, I have this to report, that so far as I can recall, and I have not kept the record of it, either, so far as I can recall in not a single instance has any one asked about how the marketing of milk might be solved without first going back and saying, "Now, what does the milk cost?" Do you know what it costs? How can we find out what it costs? Now, I want to ask you one other question that is in the minds of substantially every milk producer; perhaps a vague question, but nevertheless the question of the cost of milk. Now, let me ask you this, and this meeting should not adjourn until we have some clear words upon it: What is the relation of the cost of production to the selling price, or what ought to be the relation of the cost of production to the selling price? And let me suggest this to you, ladies and gentlemen, that if you can answer that question you have answered one of the most difficult questions that has ever been put before any company of business people. That question has been asked, and has been asked pointedly and repeatedly, particularly for 140 years in the English speaking world. If you have any clear ideas on the right relation between cost of production and selling value, we shall indeed be glad to entertain them. Let me make this suggestion, that as one man put it over here, let us not take the most efficient. Where would the rest of us come in? We would be losing money. Some one suggests that we take an average. All right, suppose we take an average cow. An average cow ought to produce 7,500 pounds of milk with an efficient man managing her, and we base the price on that. Then what inducement is there to anyone to improve upon this, except the matter of profit? And if the price is so fixed that this man can make a living, very well, but will he not have to compete against a thousand or hundred thousand men who are more efficient, and who can make money and will make money and will put their product upon the market in such a way that the consumer will be enabled to get his product at a lower price.

Mr. Kittle: I am glad for what Kirkpatrick said about Chicago and for what Bush said about Chicago. I have written these men time and again, not Mr. Bush, but Mr. Cooper and Mr. Manning, their secretary, back there in New York. I had the pleasure of being back there in August meeting with them, spent three days, as hard a three days' work as I ever put in in my life, with those men, planning something that might have a result. They were good scholars, do not you forget it; they got $2.30—over our $2.00. They learned well, but they were desperately in earnest. There are things that have been said by Bush and some of the things that have been said by Kirkpatrick are just simply reiterating the things that we went through. You fellows know it; this is not a new story, and what is the use of my trying to say anything about it. But I want to say to you that this meeting has got to mean something. Bush is right, this man that spoke over here, Mr. Campbell—I met him at Lansing only a few weeks ago, and there heard him talk, and I knew as soon as he took the floor that he had something to say, and I want you men to get together and bring out and work out some of the plans that Bush has named to you this afternoon; we of the whole Nation standing as one to better the condition of the man who makes milk.

This fight is not old—we are only eight years old next March. These men of whom Bush is a part are nine years old next summer, that is all; but this thing has been fought and fought, and figured and figured, and slept over and dreamed over, and out of it has come very little until our farmers took the bit in the mouth and then went out and did something, and now the whole United States is looking to us for a pattern. I do not stretch things to you when I say that they are writing me from more than 27 states asking that I tell them just how we did it, wanting me to lay down a piece of paper and cut for them a pattern that they may fashion their garment out of it. That is what New York wanted, that is what they did, and that is something of what Kirkpatrick wanted up there, for I promised to go up there and tell him something, and then fell down on the job, because something else came up and spoiled it; not because I know so much; oh, no, but because you fellows have done it, and I learned from you how it was done, and I want the men who represent this part of the work, that have come here to Chicago, to get together immediately at the close of this meeting that we may start a federation of this work; that we may get together. And I want to say to you some other things, and those other things are that we are facing a very critical condition just at the present time. I do not mean we here; I mean the 40,000 that Bush represents, the half a thousand or the thousand, or the 100,000 that Kirkpatrick represents, the bunch that Mr. Hall represents over here, and the bunch that may be picked up in all of these other places—this man here from Duluth, up where they do not see much of anything, except ice and iron—I want you to remember that we are facing a condition that meets every one of us, and that condition is: When we get done with the strikes, what next? We have got to continue this, men, we have got to keep on the ground we have already won.

There is no use falling back. You know, the Germans started for Paris, and you know how far they got. They got on the hill at Verdun, and they could not go beyond that, and then they began to fall off of the hill. Are we going to get right at the top and fall off? I do not want you to. I may get out of the work before I see many of you again, I may; I am only saying that, but I want to leave this with you, the one thought, as I talked to you this afternoon, and that is that you as the people on the farms have got to stand shoulder to shoulder or you are goners; there is no question about it. Get together. Form this association tomorrow afternoon before you leave this city. We do not want to meet tomorrow.

We do not want to keep you here; but we want to get you together tonight before you go home, and we want every one representing any state other than our own to gather some place and form some sort of association which will hold you together. Clear from Lyons, New York, came milk into Chicago to break our strike; clear from Chicago went milk down to New York to help break their strike. You may call it a strike, or whatever you choose, but I am going to say to you it is a fight for existence, that is what it is. You have got to stand on that fight and work it out, and work it out systematically as this man Ingersoll says "with a pencil."

The Chairman: Do you put that in the form of a motion?

Mr. Jeffry: I do.

(Motion seconded.)

The Chairman: Well, let's have a statement of it once more. Who were the men to compose this?

Mr. Jeffry: My motion is that there be an executive board of the Milk Producers Association, together with the delegates from each and every state represented here, get together tonight to formulate some plan of coöperation in the way of milk selling.

Editor's Note: After discussion the motion carried and a committee consisting of representatives of various sections was appointed. That committee, with the aid of the National Agricultural Organization Society's legal department, drafted a plan of organization, which is incorporated in this volume as the constitution and bylaws of the Milk Producers' Federation of America.

Mr. Brockway (Syracuse, New York): I am a delegate especially from the Holstein-Friesian Association of America. (Applause.) Our president is here as a delegate also, and also an assistant commissioner of agriculture from New York state. He also represents our association. We had something to do in the fight that Mr. Bush has told you about. In Syracuse we felt that if we were going to market milk intelligently, as other articles are marketed, that we ought to let the people in the city know what milk was. Milk has been marketed in the past simply as milk, without any reference to its status as a food. There has been organized throughout the United States recently what is known as the National Dairy Council, which is an effort to make an action as by one man of all the interests involved in the production of milk and dairy products, milk, butter, cheese, ice cream and everything of that character. They have started out a campaign of advertising to let the people of this country know what the food value of milk is and to show that at 10 or 12 cents a quart it is the cheapest thing in the food line that could be had. Their headquarters are here in Chicago. They have advertised recently in the Saturday Evening Post. Our association has contributed towards the advertising fund, which will be $250,000, which is going to be spent three years running, or a total of $750,000 to try to let the people of this country know what the food value of milk is. Our association has contributed $5,000 a year towards that campaign. Now, those of us who live in Syracuse, having read all about California oranges and California raisins and California prunes, and Battle Creek grapenuts (laughter) made up our minds that it was time to let the people of Syracuse know something about milk so we hired a page in our big morning paper, and in the center of it we put the last ad of the National Dairy Council which showed a great bottle of milk in the center with 10 cents on it, and around it was a series of pictures of how much it cost in beef-steak, in ham, in chicken and in eggs to get the same food value. It did not take very long to stir them up in Syracuse. They are startling facts, that few people know. The campaign which was won in New York and the campaign which was won here in Chicago have got to be followed up in a united effort to place before the people of this country what milk really is, if the battle that was won is to be succeeded by another winning. (Applause). And this committee, this committee which is going to meet very shortly I trust will not lose sight of the fact that if it were not for scientific modern advertising there is not any line of business that would be the success that it is; and, taking into consideration, the same thing in regard to the marketing of milk, and to do it upon a sane, sensible, business like proposition that involves a knowledge of costs, and involves a knowledge of accounting, in spite of the fact that it is hard to do—and that is one of the things that our association is trying to do, to educate the farmer to cow testing associations, and to the fact that by the use of the purebred sire on the grade cow as shown by the bulletins of different states, that the average production in the first generation is increased better than 70 per cent.

Cost is absolutely essential, and it is essential that we should know what that cost is, and I am very, very sorry that anybody should have allowed his sympathy with the long horn and the patient hard work of the man that is milking the cow to blind him to the fact that no business—and the manufacturing of milk is one of the greatest businesses in the world—that no business can succeed unless the man that is manufacturing knows what it costs him to produce.

Mr. Cance (Massachussetts): We have spoken of the producer of milk and the consumer of milk, but nobody has said anything about the distributor or the cost of distribution of milk. Now, it may be of interest to you to know that in Massachusetts we tried to get accurate cost data of the cost of distributing milk by 85 dealers in large and small cities and towns in that state. This data included the entire cost of labor, both hired labor, home labor and the labor of proprietor, paying his wages in the first place, second, his investment, and the interest on his investment, third, all his maintenance cost and his depreciation and replacement so that the figures that we have represent enough money for the distributor to handle the milk and make wages, but give him no profit. It includes interest on his investment. We found that for the cities of Springfield and Worcester, Massachusetts, in the beginning of 1915, it cost 2.79 cents a quart to distribute milk from the time it left the dairyman's plant until the time it was distributed in bottles to the consumer. If you add 25 per cent for increased cost, that makes a cost of distribution of about 3½ cents. With that we made very accurate cost accounts. We visited all the dealers and took their figures, going over their entire plant. I speak of it because I think there are no other figures as correct anywhere on the cost of distributing milk. The bulletin will be published shortly by the Massachusetts Agricultural College. It is worth while to the consumer to know that if it costs the farmer five cents and it costs the distributor 3½ cents, paying all the expenses of every kind, and he gets milk for 10 cents that there is still a margin to the retailers. This includes also surplus milk, bad debts, etc. It includes every possible cost that we could think of from the point of view of the distributer, and I may say that although these figures have been published in Massachusetts we have never received any challenge of the figures from the distributer. Two and seventy-nine one hundredths in those two cities, and 2.64 per quart on the average for the 85 distributers that we had in Massachusetts.

BYLAWS OF THE NATIONAL MILK PRODUCERS' FEDERATION

ARTICLE I

NAME—This Federation shall be known as the NATIONAL MILK PRODUCERS' FEDERATION.

ARTICLE II

PURPOSES—The purposes of the federation are to promote the interests of the producer and consumer of milk by:

(a) Improving the conditions under which milk is produced;

(b) Improving marketing methods;

(c) Standardizing the product; and

(d) Generally by doing such other things as are necessary with respect to the quality, the cost of production and distribution of milk, and the return to the producer and the cost to the consumer as will promote the interests of both; and to do all things necessary therefor.

ARTICLE III

MEMBERSHIP—Any organization composed of producers of milk which conforms with the purposes and bylaws and rules and regulations of the federation may become a member of this federation by paying the annual membership fee of one cent for each individual producer represented by such organization but in no case shall such annual fee be less than five dollars.

ARTICLE IV

GENERAL MEETING—

1. Each member of the organization shall be entitled to one delegate and each such delegate shall be entitled to vote either in person or by proxy at any regular or special meeting.

2. The regular annual meeting of delegates shall be held at such time and place as the board of directors determines. At least 30 days' notice of the time and place of such meeting shall be given by mail or telegram by the secretary to each member of the organization.

3. Special meetings of delegates shall be called by the secretary upon direction of the board of directors. At least five days' notice shall be given as in the case of regular meetings, to each member of the organization.

4. A majority of the delegates present at any meeting shall constitute a quorum for the transaction of business.

ARTICLE V

BOARD OF DIRECTORS—The board of directors shall consist of 15 members of affiliated organizations chosen at the regular annual meeting of delegates. At the first annual meeting five directors shall be chosen for one year, five for two years, and five for three years. Thereafter, and as the term of each director expires, his successor shall be chosen for a term of three years. Vacancies on the board shall be filled by the remaining members of the board for the unexpired term.

ARTICLE VI

Directors' Meetings—The regular annual meeting of the directors shall be held immediately following the regular annual meeting of delegates. Special meetings of the directors shall be called by the secretary upon direction of the president. At least five days' notice of special meetings shall be given each director by mail or by telegram by the secretary. Five directors shall constitute a quorum for the transaction of business.

ARTICLE VII

Officers—The officers of the association shall be a president, vice-president, second vice-president and secretary-treasurer, who shall be chosen by the board of directors, each for a term of one year. Vacancies in any office may be filled by the board for the unexpired term.

ARTICLE VIII

Duties of Officers—

1. The president shall preside at all meetings of the delegates and of the board of directors, and shall perform all the duties usually appertaining to his office, and such additional or other duties as are prescribed or directed by the board of directors.

2. The vice-president shall perform the duties of the president in the absence of the latter.

3. The second vice-president shall perform the duties of the president in the absence of the president and vice-president.

4. The secretary-treasurer shall attend all meetings of delegates and of the board of directors and shall keep a faithful record of all proceedings thereat. He shall have the charge and custody of all property and records belonging or appertaining to the federation subject to the direction of the board of directors. He shall perform all other duties usually appertaining to his offices, and such additional duties as the board of directors prescribes or directs. He shall from time to time as directed by the board of directors, make full and detailed report of all receipts and disbursements and of all funds and other property on hand, and shall at all times permit inspection and examination by the board of directors or its representative, of all books, records and property belonging to the federation.

ARTICLE IX

Powers of Board of Directors—The board of directors shall have and exercise full control and supervision over the affairs of the federation and may do any and all things necessary therefor. It may delegate its powers to any committee of its members with full power to act, and in its discretion may require any person who receives or has control of property of the federation to furnish suitable bond. The board may adopt and enforce necessary rules and regulations not inconsistent with these bylaws; and shall at least once in each year cause a thorough audit to be made of all books, records and affairs of the federation.

ARTICLE X

Annual Report—The board of directors shall submit to the regular annual meeting of delegates a full and detailed written report of the property and affairs of the federation, and shall incorporate in such report any recommendations it deems necessary or expedient.

ARTICLE XI

Amendments—These bylaws may be amended at any regular annual meeting of the delegates by a majority vote of the delegates present and voting, or by a like vote at any special meeting regularly called, if notice of such amendment was incorporated in the call for the special meeting.

OFFICERS AND DIRECTORS OF MILK PRODUCERS' FEDERATION

The National Milk Producers' Federation organized with the following as officers and directors: Milo D. Campbell, Coldwater, Michigan, president and director; G. W. Bush, Little Falls, N. Y., first vice president and director; H. W. Ingersoll, Elyria, Ohio, second vice president and director; George Brown, Sycamore, Illinois, secretary-treasurer and director; K. A. Kirkpatrick, Minneapolis, Minnesota, director; W. J. Kittle, Suite 640–642 No. 29 S. La Salle St., Chicago, Illinois, director; G. R. Rice, 1422 First National Bank Bldg., Milwaukee, Wisconsin, director; Guy C. Smith, Storrs, Connecticut, director; R. C. Weisinger, Shelbyville, Kentucky, director; Dr. Alexander E. Cance, Amherst, Massachusetts, director; Clarence Sears Kates, Glenloch, Pennsylvania, director; J. H. Fransden, Lincoln, Nebraska, director; H. L. Brown, Birmingham, Alabama, director; W. B. Barney, Des Moines, Iowa, director; A. L. Brockway, Syracuse, New York, director.

THE ORGANIZATION OF AGRICULTURE.

THE COST OF LIVING AND THE REMEDY

CHARLES MCCARTHY*

SOME FOOD FOR THOUGHT

"Raise more cattle or eat less beef"—this is the word sent out from Washington by the federal department of agriculture. The government points out that whereas the population of the United States has increased 24,000,000 in the last fifteen years, the production of beef cattle has fallen off more than 6,000,000 in numbers. In the same time sheep have decreased 10,000,000 while hogs have increased only 11,000,000.

PER CENT INCREASE OR DECREASE, 1901-1914

Population	Increase	27.1
Number of Beef Cattle	Decrease	26.9
Number of Milk Cows	Increase	23.1
Number of Sheep	Decrease	20.4
Number of Hogs	Increase	3.4
Bushels of Wheat	Increase	13.5

PER CENT INCREASE OR DECREASE, 1900-1910

Urban Population	Increase	34.8
Rural Population	Increase	11.2

If the farmers make money, there will be a good many farmers, and much food and raw material.

If farmers do not make money they will go into some other business. There will be less food and less raw material.

If the farming population is falling off relatively and tenantry increasing relatively, then the cost of living will go up. The manufacturer must pay higher wages. Industrial disturbances will take place. With higher costs we cannot hope to compete with foreign countries.

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* Dr. Charles McCarthy is chief of the Wisconsin Legislative Reference Library at Madison, Wisconsin, and treasurer of the National Conference on Marketing and Farm Credits. This address was delivered before the City Club of Chicago, Nov. 28, 1916, and is reproduced on account of its treatment of some important basic relations of our national life.

The city cannot live and prosper, and the manufacturer cannot live and prosper unless the farmer is well off. If Chicago were situated in the middle of the Sahara Desert, would it be Chicago?

Can a manufacturer or business man afford to see increasing congestion in the cities, with constantly rising costs?

Very true is the old German proverb: ''Hat der Bauer Geld, hat's die Ganze Welt.'' (If the farmer has money, everybody has.)

What the Bordens Do Not Know

You have recently had a milk strike in Chicago. Do you suppose that strike would have been necessary if proper attention had been given to the whole question of rise in cost and the proper organization of the industry? The Borden Company, the great organization in this business, admits its lack of knowledge of the whole subject. They say in their advertisement in the New York Times for Sunday, October 22, 1916:

> ''Even with our close acquaintance with the industry as a whole we have positive knowledge of our own business only and know very little of the real conditions which confront the dairyman. From this limited knowledge we believe that he was justified in demanding more for his milk. We know his costs have increased and we believe his profit has been inadequate. We blame ourselves for not keeping in closer touch with his problems and letting him know ours and acquainting him with the costs and profits of distribution, and above all, urging him to consider how vitally his interests are concerned in keeping down retail prices to the consumer in order that milk consumption may be increased rather than reduced and that milk may continue to hold its enviable position of furnishing more 'food value' for the money than any other food product.''

Efficiency in agriculture must not be merely distributive but must run through the whole process down to the smallest item in organized production. This can only be done by the most thorough organization of every process and can only be done through organized producers.

Scientific Management Applied to Agriculture

There is a close parallel between organized agriculture and scientific management of what is known as "efficiency in business." Now, take Denmark—one sees in the whole country south of Copenhagen, great fields with very few fences. These fields are planted in a certain way with certain crops, which are used in feeding cattle. If you look, you will find that everywhere the cattle in this vicinity are the same variety. In one place they look like Jerseys, but are red.

"Motion Studies in Cattle"

They are tied in the fields by a certain length of chain. The idea is not to allow the cattle to trample down the forage and wander around from place to place. They are moved at certain times during the day, and thus gradually eat their way through the forage in the field. They are not driven or allowed to go to water there as they are in America, but the water is brought to them so that they will always be on the job eating and converting the fodder into milk. They are milked in the fields at certain times. The amount of fodder in the field is carefully calculated. The statistics on each cow are carefully kept so that they can determine minutely how well each pays her way. The milk is carefully brought to the coöperative creameries, which are pretty much of a standard quality. The whole work is treated in a certain kind of a way practically throughout the entire nation. The byproducts are fed to pigs and all these pigs are of the same breed. Going with them is the hen, and the hens are standardized by practical and uniform breeding. The marketing of all the eggs is carried on under standardized processes. Of course, the farmer cannot do all this himself, but the government has provided machinery whereby every problem can be solved.

All over Europe organized buying and selling, organized and standardized business is gradually coming. "Control Boards" which are merely planning boards, owned by farmers, are seen everywhere In Germany all such organizations must be in auditing unions. Either these unions must be organized for their own auditing or else the government will come in and audit them. It is very certain that if farmers are going to do this kind of book-keeping and this kind of business, it must be done well, so that this whole agricultural organization work is based upon the highest kind of book-keeping. The government wisely makes proper book-keeping compulsory.

What Would Henry Ford Do with Agriculture?

If Henry Ford were to be given the task of organizing the business of agriculture,—to stop its wastage, reduce its cost, and increase its production,—what would he do? The answer is obvious. He would standardize, systematize, apply increased capital wisely, give higher inducement to the producers,—he would *Fordize* agriculture, if he wished to see real and long-continued prosperity. Supposing he were given a territory in Wisconsin to work on. He would make a thorough survey. He would find what kind of soil there was, what kind of climate, what markets, and what possibilities for labor conditions. Given these factors and others, he would then proceed to plan the work so that if, for instance, he brought cows upon the land they would be cows which would pay the highest return and which would produce the best milk under certain conditions, and he would then reduce every element in the marketing of milk to a fine point just as it is done in Denmark and other countries.

Nor could he do this by putting the land into one great vast field, for he would learn that no country has ever existed for a long while in prosperity unless there was a great percentage of land ownership,—of small or medium-sized farms. His psychology would be wrong if he thought he could make one big factory out of it. He would have to work with all the lessons of humanity before him. *The only way he could make it efficient, permanently, in fact, would be to instruct all the separate land-owners, (really small manufacturers), to work together collectively.*

It is often said that the tractor will mean very large farms. It does not mean any such thing. It probably means that tractors and other machinery will be owned in common and used scientifically in common with the greatest economy. France by using this method is producing as great a crop today as in 1914 before the war began. The same limitations must be placed upon land organization, as we know eventually must come with big factories like Henry Ford's. Henry Ford is but an individual. While he is at the head of the Ford system, he probably will do justice to the working man and will make it profitable for the working man to work for him, but we cannot tell whether or not, when he dies, some other less broadminded and more selfish man will come in and change the whole thing. The same thing is true of the farm.

A system of very large farms cannot exist for a long time. Henry Ford believes in big units. He would learn, however, the disastrous effects of large land ownership, tenantry, etc. He would learn from the lessons of the Russian boyar or the Irish landlord that no nation could live with large areas of land in the hands of a few men. A study of the history of Rome would show that it would not do to have these large areas controlled in this way. Indeed, the same criticism that could be applied to the Ford works now could be applied with double force in agriculture. When business is so big that it affects the welfare of millions of people, *we cannot have a Marcus Aurelius Ford succeeded by a Commodus Ford.* In agriculture good landlords can never take the place of a large degree of ownership by the cultivators. Good landlordism has always failed in agriculture.

Distributive Waste

Despite the Borden statement there is still enormous waste in distribution in many products, as well as in ineffective organization of the crop or product and lack of standardization. For example, a man has an apple orchard or a peach orchard. He picks his fruit and dumps it into Chicago, and the place is over-supplied with peaches and apples because of the fact that, there being no organization of the industry, everyone is dumping there. He practically loses his crop. The next year it occurs again. He cuts down the trees. Millions are lost this way every year. It does not pay. Does the consumer *in the end* win by this poor distribution?

Let us suppose a small farmer starts to grow pineapples in Hawaii. How far will he get sending a few boxes to the steamer to send to San Francisco? Obviously he must organize. We will have more and better fruits and more and better products of every other kind when we have a better organization of the industry.

A system of a great number of very small farms owned by the farmers themselves, combined together, can exist and bring about a great efficiency. This is just the form that is now working out in Europe and also to a great extent in Canada, Australia, and South Africa, and it is just the thing that Henry Ford would do if it were his job. It is the solution of the rural problem in America. It is the only sure way consistent with the lasting welfare of the country by which waste can be eliminated, agriculture be made scientific and the cost of living be effectually reduced.

Does This Mean an Agricultural Trust?

"But," says Mr. Consumer, "You are creating here an organization which will be nothing different from the monopoly or trust,—an efficient instrument but a tyrannical and dangerous one perhaps."

Do we want the marketing of produce, then, on the trust basis? Certainly not. There is no fear. Millions of small owners never have been and never can be combined into a dangerous monopoly. Even in oil, the greatest gain to the producer outside of the monopoly end of it is in the method found to take care of the byproducts, etc. Think of the many things that are used,—the pipe lines, the tank cars, etc., etc.—which have reduced the cost of oil so greatly. We use this oil because of the great efficiency of the organization. If monopoly is to come out of agricultural organization, we do not want it. It will be bad for the Nation. But there is a great gain from saving and reducing the cost by organization, scientific management, and efficient selling, production, transportation, etc., which we must have. That is what we may expect from organized agriculture.

Save a Few Billion

If the Danish farmers save $.28 on a dollar by scientific management, reckon up that amount on nine billion dollars worth of agricultural produce. Compare this, then, if you wish, with the million dollars a day that Brandeis said the railroads could save, and which the railroads have said they have saved. Is it worth while?

The packers say that they save everything but the squeal of the pig. Of course what they mean is that they save everything *after the product comes to them,* but what have they done any more than Borden has done to save the great waste of the product before it has come to them,—the organization in the production end and the transportation end, the obtaining of needed capital at reasonable rates, etc.?

True Preparedness

We have just established a Council for National Defense. If that council will read recent events in Europe it will find that the most potent influence in the reorganization of Russia today is the thirteen million coöperators. It will find that the food prices of England are being regulated by the coöperative wholesale movement. It will find that the 35,000 societies in Germany, organized in great federations, having a turnover of nine billion dollars, is a tremendous factor in the organization of its industries, for war or for peace. It will find France completely organized. *If for national defense alone, we must organize America.*

Give Agriculture a Minimum Wage and Settle the Cost of Living Question

But there are several ways to give a minimum wage. You can give it by law. You do so when you place a tariff on certain goods. You give the protected article a minimum wage. Or you can do it as Henry Ford does it by greater efficiency, coördination, economy, and better organization. It is this latter sort of minimum wage that we need for the agricultural industry and every man, woman, and child in it, if we ever expect to check the rising cost of food and raw material.

If a country has no industries, there is no prosperity. In the end there is no country. If an industry is declining and if the rewards are not sufficient to make it pay to induce people to go into it, it becomes a matter for public alarm. What do we do in America? If an industry is socially valuable, we do not hesitate to subsidize it. John Smith ran a woolen mill in Massachusetts. He soon saw, however, that the cheaper woolens coming from England would destroy his little business, his little village, and throw his people out of work. He appealed for aid. Was it socially desirable that the industry be continued? His neighbors thought "Yes". Therefore, we, his neighbors, the citizens of America, gave him a tariff,—in other words, we gave him a subsidy by chipping in to help. If we find an industry socially, yes fundamentally, valuable, and we find that this industry, which is the one industry that regulates the cost of living, and whose decline endangers the social and economic fabric, is declining, what should we do? I am referring to agriculture. The statistics I have already given you are my proof. The congestion in the cities furnishes proof, and the entire procession of the girls and boys from the farms proves what I say. The high cost of living today furnishes proof, which cannot be denied. *Agriculture relatively is a declining industry.*

But I am not asking for a tariff for agriculture,—I am not asking for a subsidy. I am asking for sympathy and advice only and help in organizing the industry so as to eliminate waste, to make it profitable, and to keep the boys and girls on the farm. Even in considering the tariff on manufactured goods, we do not feel as great need of it as we do of high grade organization and in general the highest kind of elimination of waste. Does Henry Ford need a tariff? If all industry in America were organized as carefully as Henry Ford's work, would it need a tariff? So what I am asking for in all this matter is the help of the cities in truly organizing the efficiency of our farms.

The City Man's Share

Consider milk, for instance, again. Will the consumer allow the producer and the milk dealer to fight it out between themselves and continue to make a contract which would give them both the profit, and yet take it out of the customer? I believe that both of them should have a good profit, but I do also think that the consumer should see to it that waste is eliminated, that the future supply of milk is not endangered by the decreasing of rural population, but that rather the consumer should aid in every way towards the organization of the business of agriculture and the elimination of waste. He should not stand in the way of, and oppose, such organizations. They are inevitable. He should not think merely of his own momentary situation, for, in the end, the situation of the producer and the dealer are the same. In the end the consumers' interests and their interests are the same. He cannot hope to live on the farmers, for they will not be lived upon. They are too intelligent today. Opportunity is too great for bright and educated boys and girls for them to be lived upon. They will go into the city and compete with the people in the city, and the high cost of living will do the rest. *The City Club of Chicago has just as much interest in helping the organization of the farmers who bring the food into Chicago as it has in working for better government within the City of Chicago.*

"Dumping"—One Way to Prevent It

The International Corporation has been formed to extend our trade and capture the world markets. Does anyone think that that device, however powerful it may be, can be successful with the cost of living advancing at tremendous leaps? Does anyone believe that high tariffs, or the Webb bill or any other device can keep the cheap goods of Europe, produced in desperation and despair, from flooding our markets after the war if our national carelessness and waste of raw material will send our own cost of production beyond the returns due from organization of finance, subsidies, or tariffs or any other like device?

One way of meeting dumping effectively is to reduce costs of production and cost of living by organization of our great agricultural interests. Henry Ford doesn't stay up nights worrying about the dumping of automobiles into America, and if the food supply is organized half as well as the manufacturer now organizes his business, we may not fear "dumping" or trade war. If we don't we have everything to fear.

The Full Dinner Pail

Even if Henry Ford or the most skilled and scientific manager in America raises wages, does that insure contented and happy workmen, if the dollar is constantly cut in two? The elimination of waste in food or raw material keeps the dinner pail full more effectively than all the tariffs ever in existence.

With all these indisputable facts before you, Mr. Employer and Mr. City Man, isn't it clear wisdom to set your great machinery to work to eliminate this long neglected waste?

The farmer is a manufacturer and is entitled to all the help, encouragement, profits and advantages of a manufacturer. A hundred years ago the Industrial Revolution changed the manufacturing industry from small units and hand work to steam-driven compact organisms which are familiar to us all. An agricultural revolution will soon change agriculture from the wasteful, ineffectual, unscientific, disorganized and chaotic industry it is today to something very like the efficiency now known in all other industry. But woe to this country if that terrific change does not bring with it a complete recognition of the facts in history,—*that strong sturdy manhood and womanhood can come only and exist through widely extended ownerships of the land and profitable, scientific and independent but coördinated effort upon the part of the millions of owners thereof.*

To do this work the National Conference on Marketing and Farm Credits and the National Agricultural Organization Society have come into existence.

The Fourth annual conference will be held December fourth to ninth at the Hotel Sherman. *Come and help us find a way to save a couple of billions.*

A BASIS OF NATIONAL AGRICULTURAL ORGANIZATION

KENYON L. BUTTERFIELD *

A distinguished American sociologist has recently said that he felt we were entering upon a new epoch, into the nature of which we cannot see very far. I venture to suggest two elements that will characterize the next 25 or 30 years. One will be the working out of the relationship between an effective, patriotic nationalism and a broad, brotherly, fair-minded internationalism; the other will be the reconciliation between organized efficiency and real social democracy.

The farmers of the world must play their part in this new epoch. Therefore, the first element in a national rural policy is the recognition of the relationship between the American farmers and the farmers of the rest of the world, and the relation of both to the consuming population of the entire world.

The second element is more immediate and pressing. For a generation, we have been developing big business. "Organization", "administration", "system", "efficiency", have been the watchwords. Great combinations of capital have won their way not primarily because they saved in production but because they could bargain to advantage. Great organizations of labor have developed as a means of collective bargaining. But, in spite of 50 years of agitation and of many experiments, in spite of all the lessons to be gained from European experience, speaking broadly, American agriculture is still unorganized. The last few years have seen great gains, and, without doubt, we are on the eve of many fruitful movements in coöperative agriculture on the business side.

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* Dr. Kenyon L. Butterfield is president of the Massachusetts Agricultural College, Amherst, Mass., and a distinguished thinker and writer on rural problems.

Can Democracy Become Efficient?

But it is clear that organized efficiency has its perils, whether in respect to combinations of capital, or combinations of labor, or combinations of any other form, and the fundamental peril is that efficiency seems to mean the elimination of individual initiative and freedom and the submerging of the individual in the will of the mass, and even placing him at the beck and call of a small group of men who virtually dominate the will of the entire mass.

The question then comes, can we have a real democracy based on equal opportunities for all, on freedom of individual idea and initiative, on the brotherly feeling, and still make it effective in production, in distribution, and in all political, economic, and social relationships.

Four Principles of Action

This question, I take it, lies at the foundation of any discussion of national rural policy. The need for organization seems to be clear; the only question is a method which shall be at once effective and democratic. There are many earnest students and friends of agriculture who fear that in the passion for organization and in these great new movements for organizing farmers, we are sowing the seeds of a poisonous plant which will eventually destroy the last vestige of true American democracy. I do not share this view, but I do share the sense of danger, and I think because of this danger that there are three or four characteristics of fundamentally sound rural organization that must be preserved at all hazards.

1. In the first place, the organization of agriculture must be absolutely coöperative and not militaristic. It must not be the kind of organization that is "bossed" by a few men at the top, no matter how those men may be chosen. There will need to be managers and guides and counselers and authoritative officers, but voluntary, loyal coöperation of individual farmers must be the binding force.

2. The local community must be recognized as the unit of organization. The little local farmers' ex-

change, or credit union, or farm loan association, or whatever else it may be is the key to wholesome agricultural organization. There may be district or county unions; there may be state and national associations, but they must all go back for their power and their effectiveness to these little local community coöperative business units.

But the community idea must go even farther than this. We must think more and more of the community as a unit studying itself, measuring its resources, deciding on what kind of crops it shall grow, what sort of stock it shall breed, how it shall buy and sell, how it shall educate its children, how it shall look after its recreation and its morals. We must think primarily not in terms of the individual farmers nor in terms of the American farmers as a mass, but in terms of local neighborhoods or communities of farmers.

3. We must recognize institutional division of labor. That is to say, each agency must find its job and do it thoroughly well. There is one task for the grange or other voluntary organization; there is another for the agricultural college; there is another for the board of agriculture; another for the church; another for the school. Let each one do its work supremely well, but let no institution try to do the work of another.

4. And this brings us to the principle of coöperation of agencies. Not only must individuals coöperate in their communities but great institutions, such as those I have just mentioned, must coöperate in community, in county, in state, and in nation. Each one of these institutions should have a big, statesmanlike program, but this program should include hearty coöperation all along the line with other institutions.

National Clearinghouse Needed

What we will have then, if these principles are carried out, is a program and a policy for every farming community, for every agricultural county, for every state, and for the Nation as a whole.

It is obvious that to carry out any such program means some large, general overhead group. Personally, I believe that we must find this not by organizing a new association, not by allowing any of the present agencies to try to absorb the others, but simply by forming clearinghouses made up of representatives of all agencies, both those publicly and those privately supported. I do not know what these may be called but essentially we will have local or community committees or councils. We will have the same thing for the county, for the state, and for the Nation. Such councils would simply serve as clearinghouses for discussion. for avoiding overlapping for mapping accepted policies, and for bringing to bear upon the agricultural problem the best judgment and wisdow of all interests.

But, mark you, we cannot successfully legislate this thing into existence; we cannot by any law require the development of this sort of clearinghouse. It must be done voluntarily; it must come as the result of the desire to work together. It might be powerfully aided by the United States Department of Agriculture, but it cannot be controlled by that department. It might perhaps be helped by a permanent federal country life commission, but it could not be managed by such a body. I seriously question the wisdom of the proposal, in its present form, for chambers of agriculture.

It is hardly necessary to add that a movement like this must be close to the soil; it must be primarily in the hands of the farmers themselves.

The possibilities of agricultural organization are boundless. The time is ripe for a national rural policy and program. Have we the statesmanship and executive ability to unify and the coöperating spirit to hold together all rural interests?

ORGANIZATION AND PRICE MAKING

J. N. McBride*

The outstanding fact compelling attention from every thoughtful citizen is that farm products in the United States are not keeping pace with population. Agriculture is not sufficiently remunerative to attract capital or secure labor. Increased foodstuffs and supplies from the soil are being demanded with the increasing city population. Public or legal recognition of this fact has taken form in the nearly complete removal of tariff duties from agricultural imports and in the Farm Loan Act. The merits of this act are obvious, but most noticeable from an economic standpoint, that agriculture, the basic source of finance, should be assisted to re-finance itself. There is a case reported of a spring being piped to a water tank at a lower level. The water overflowed this and wasted. When the midsummer drouth came the spring partly failed and expensive pumping machinery was installed to return the water to the spring. A simpler method would have been to adjust the flow.

Coördinating with agriculture in service is transportation which is the extended function of production. The railroads, after years of competition, yielded the province of rate making to governmental supervision. The inflexibility of these regulations with advancing prices have been a cause of inadequacy of service and congestion, so that the railroads are like agriculture, underpowered and not functioning properly. Agriculture, after diagnosis, has had coöperation prescribed as a remedy.

Functions of Farm Organizations

What are the full functions of agricultural organizations? That is, are they to operate or coöperate? Is a coöperative selling organization truly coöperative if it acts independently or sells competitively against a similar organization? Is coöperative distribution a mechanical combination of units to render a cheaper service alone or endowed with intelligence to measure exchange values? Around these concepts men's minds are considering the full or restricted powers of coöperative distribution. It is now possible to adjust coöperative sales organization in a legal way to avoid a possible conflict with the federal anti-trust laws. This was accomplished by the Clayton amendment, exempting agricultural and horticultural associations ''not organized for profit nor having capital stock.'' These bodies can have capital derived from membership fees or hypothetical collateral of its membership. To the laymen the distinction is not over-great but the point is that the gain shall come to the producer from his product and not from his investment outside as a distributor. That this will prevent selling organizations from being monopolized and controlled from the ownership of stock and retain their control with the producer of the product is the aim.

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* J. N. McBride is state market director for Michigan, Lansing, Michigan, and a prominent farmer.

The Clayton Act and the ''Rule of Reason''

The advanced position now possible in the legal status of agriculture came with the Clayton amendment, which was statutory recognition of what the ''rule of reason'' was. This rule of reason, as expressed by the supreme court, is now no longer debatable. The student of economics should interpret the law as it is now from an economic viewpoint, if possible. In this case no difficulty attaches when profit or gain comes through enhancement of the product to the producer. It is used in reproduction to the ultimate gain of consumers. If the gain inures to the benefit of those who may hold stock as distributors it is not so used but is diverted into non-productive uses. Encouragement of production was desirable. This was the rule of reason founded upon the nature of the industry exempted.

Agriculture is an industry made up of small units and decentralized. Very few corporations engage in farming because it does not easily lend itself to corporate action. A condensary, for example, handling the milk of 1,000 persons could of its own volition fix prices. Restraint of trade always assumes a collective activity. Any two of the farmers who sell milk, acting collectively as to price, would technically be guilty of restraint of trade. Without applying the rule of reason would be to legislative in favor of the large units by denying the mobilization power to the smaller units. The law then would be, while aiming to promote competition, tending to prevent it by the assumption of equal power to all units regardless of size. The technical legal mind would deny in chemistry for molecules to be made up of a different number of atoms.

Congress and the supreme court have made these distinctions and decisions, notwithstanding some preconceived ideas which are not the laws nor facts. The Civil war settled once for all the priority of its citizens' dual relationship, first, to the national government, and secondly, to that of the state. While the federal government has gone far to recognize each state's power along police lines, it has never recognized the right of a state to declare a crime what the Nation distinctly declares to be a right. From the standpoint of ultimate action and moral force, anti-trust laws were rendered obsolete with the enactment of the Clayton amendment. This may not be a completed legal fact in and of itself, but an ultimate result with the state laws inhibiting agricultural collectively. With legal disabilities removed in this one direction comes the positive federal legislation aiding collectively in distribution by federal grain inspection and the warehouse act. This law prevents personal monetary weakness from extending the depression down the line in matters of price by placing credit where it can serve all. From an economic physical standpoint the imperishable products are reservoired on their way to consumption with increased gain to the producer and also to the consumer.

This assurance comes from profits in agriculture being used to increase production rather than diverting the gain therefrom. An era of the widest demand for supplies for farm improvement would stimulate trade if agriculture could have assurance of stable prices for products.

Can Farmers Deal Directly With Consumers?

Much of the discussion of marketing can be avoided by the knowledge that not to exceed 17 per cent of agricultural products are susceptible of direct sale from producer to consumer. The great staples like grains, sugar, hides, wool, cotton, tobacco, meats, et al must be manufactured or processed before used. The preserving of milk, vegetables and fruit, for example, even greatly reduces the percentage of direct selling pointed out as possible. A limited knowledge of marketing problems devotes over-much time to this very limited field.

The values or prices of commodities which must be manufactured or processed are in fact made by the buyer to the producer on the basis of supply and demand as viewed by him. This view is in fact not the real supply and demand, but a magnified supply and a minimized demand, for the purpose of personal gain when buying and the reverse view when selling. Out of these kaleidoscopic viewpoints comes specualtion. When the farmer has wished to name a price on his product, he has been obliged to cloak his dependence with a phrase and escaped with a degree of self esteem that dulled the pain of financial loss. That phrase is the so-called law of "supply and demand" making the price. There is, however, no such law but a relation, since supply and demand are but two views of the same thing and when these views differ and the power of superior knowledge or ability to control lies with the buyer, the adage affords only consolation to the producer.

If coöperative movements deny themselves, or by reason of timidity, fail to possess themselves of the power now a legal right to interpret supply and demand from their viewpoint, little advance over that of the individual is shown in their position.

Coöperation Must Charge for Service

If coöperative enterprise must exist only for improved or cheapened distribution and cannot charge for this service, or name compensatory prices, it is of value only to those who reap where they did not sow. If coöperative distribution is but an improved machine or cheapened method of disposing of goods, it comes in the final analysis to be like improved machinery or as a more productive variety of seed reduces the cost of products, and is of little gain to the producer.

Without assuming the power of interpreting supply and demand, now legally conferred, coöperative organizations intended to make agriculture more profitable assume the position of an accelerant to production or the old idea of "making two blades of grass to grow where formerly one grew," instead of making the hitherto blade more profitable in marketing. The inevitable result of non-basic operations in fixing the prices while the basic industry of agriculture does not, is seen in the following account which actually occurred:

Two men sat in a smoking compartment of a Pullman car running through Indiana.

"Well, Tom," said the first, "I lost 12 of my best machinists last week again."

"What was the matter?"

"They all went over to work in the munitions plants at Dayton, O., where they can earn from $6 to $10 a day. We can't pay those wages in a silo factory."

"What did you do to fill their places?"

"I went out into the country and kidnapped a lot of farm hands. I've got a regular school in my plant now for teaching these green men to run my automatic machines. But as soon as they get to be any good they quit and go over to draw the big wages offered by the munition plants."

"But what do the farmers do when you steal their hands?"

"They do without, I guess."

The answer to what occurred is a quotation from the Michigan crop report for June, 1916.

Monroe: Bedford twp.—Owing to scarcity of help considerable land will not be worked this year.

Why Basic Industries Should Be Conserved

Basic industries like agriculture and mining, which make additions to the world's wealth from the earth, must possess the power of compensatory production for upon these bases are all other industries. The failure of compensatory production undermines others dependent upon these bases. The Boston and Cleveland chambers of commerce investigated their respective milk supply and found the supply diminishing with loss to the producers, and to all concerned. The bear raid on live hogs in 1907 was followed by over-high prices of pork with diminished car receipts by the railroads for several succeeding years.

One of the most interesting trade laws is that of Denmark, passed in 1912, which authorizes the chief organizations of Danish industry (The coöperative producers), to file with the commissioner of navigation and industry the size and form and uniformity of product which they will sell to the trade in original packages or designations and upon which these producers mark the retail price. A fine is provided for any distributor who sells at a less price than marked thereon. This law has placed price-making with the producer upon a compensatory basis and also educated the consuming public to buy standard quantities and qualities. (Copies of this act will be supplied on request.) Organizations now coöperate in selling instead of competing against each other.

What the Milk Men Did

As a mathematical proposition the competition of coöperative organizations neutralizes coöperation and is little advance over individual industrialism. The insistent urging of coöperation as a theory in the United States and the very general apathy of farmers here as compared to continental Europe is thus easily explainable—not in the character of the farmer but in the character of the coöperation. The inability of many coöperative enterprises to affect prices in the United States was because they lacked the European essential qualities which command respect and make for profit. The most successful coöperative movement of this year was the Illinois Milk Producers who fixed milk prices as follows: April, $1.65; May, $1.45; June, $1.25; July, $1.55; August, $1.70, and September, $1.70 per hundred weight of 3.5 per cent milk. The increased prices received by the Illinois dairymen for these six months is estimated to be $1,500,000. The same coöperative methods fixed the prices for the winter months at $2 per hundred. The gain to the Illinois dairymen is estimated for the year to be $3,500,000.

President Hull of the Michigan Milk Producers' Association, estimates the gain already accomplished as an addition of $8,000 per day to the dairy farmers of this state.

The Michigan bean growers have for the last two years exerted a remarkable influence in production and informing the growers of supply and demand of beans, and interpreting in terms of price which would move the crop and compensate the grower.

California is one of the advanced states in matters of price-making. The following official announcements are of interest to the producer as well as the student of economics.

Fixing The Price Of Canning Peaches

The Tulare County Canning Peach Growers' Association was organized at Visalia during the first week in May. Mr. Frank Lanning was elected president. An agreement was drawn up by which members of the association will demand the following prices: For Tuscan clings, $35; Phillip clings, $32.50; Orange clings, $30; Lovell freestones, $25; Muir freestones, $22.50.

The members control 7,000 tons of peaches and they have been assured that Southern California Packers will purchase at least 8,000 tons of peaches in Tulare county in order to make up for a shortage of crop in Southern California.

Prices For 1916 Crop of Raisins

During the last week of April the California Associated Raisin Company issued the opening price list on 1916 layer raisins. The price list is as follows:

> Three-Crown London Layers, 20-lb. boxes, $1.30; 4-Crown Clusters, 20-lb. boxes, $1.60; 5-Crown Doshea Clusters, 20-lb. boxes, $2.25; 6-Crown Imperial Clusters, 20-lb. boxes, $2.75; 5-lb. boxes, 50 cents additional; 10-lb. boxes, 35 cents additional; Fancy Clus-

> ters, 1-lb. cartons, 20 to case, $1.75; Fancy Clusters, 2-lb. cartons, 12 to case, $2.10; Fancy Clusters, 5-lb. cardboard cartons, 4 to case, $2.25; Bulk Layers in 50-lb. boxes, $2.75; Bulk Layers in 100-lb. boxes, $5.00. Prices guaranteed against decline to January 1, 1917.

The economic justification is that production must be made compensatory or it will decline with industrial losses to all. The first principles of banking are that loans to be safe, must be used for productive purposes. Agricultural organizations which do less than this are delinquent in their support of good banking methods. When the crops are secured or known in part or whole, agricultural organizations should express their interpretation. The contribution to business success that the Standard Oil Company made to the world was its ability to name the price it would pay for crude oil. The greatest benefit that agricultural organization could do for both producer and consumer would be to assert its power to make farming compensatory and in that way increase production. This is the protective tariff idea applied to agriculture. ''The penny saved is a penny earned'' is an agricultural maxim due to the discard. The emphasis on saving as the way to succeed has made farmers penurious. Agricultural organizations that have sought trade advantages below a legitimate profit have made the mistake of trying to gain their point by leveling others to their own economic status rather than to seek the higher position of equality in industrial action. Much of the criticism of coöperative movements as well as actual hostility came from trying to save on wages and costs, below the established standards of business. Economics calls this destructive competition. Californians describe it as ''Orientalism'' and perhaps the present ideas of coöperative price-making in that state is an effort to shun that name, with all that it implies. One reason for failure of agricultural determination of values of its product is that merchandising, manufacturing and distribution in general have more nearly control of output, and can convert a low base price of raw material into a product which can be stored or held. The beginning of the packing season means lower-priced hogs as a rule.

A Way To Destroy Futures Trading

Instead of inveighing against speculation and asking for legal prohibitions thereof, the coöperative determination of prices by agricultural organization would be the most effective weapon for its suppression. So disastrous has been future selling with the Michigan bean jobbers since the growers organized and established a price minimum, that this, one of the strongest producers' associations in the United States, proposes to withhold all sanction of future selling before the crop is secured. Merchandising is the service given in moving products with legitimate compensation. Speculation is the attempt to capitalize power rather than more products. It is the repossessing themselves of this power with the purpose of using it for mutual service of all, agriculture is seeking and must have.

The correct economic and ethical method of Agriculture is to interpret supply and demand after the volume of product is approximately known. Limitation of acreage or supply is not to be considered. It is to avoid these two views each equally in error and nationally destructive, that such a program is intended. The first view is that agriculture should seek smaller crops, because the smaller crop is often the most profitable. The December report of the United States Bureau of Crop Estimates states that the volume of money for the diminished crops of 1916 is greatly in excess of that of previous or normal years. The individual producer who has had a large or normal crop has profited but the sub-normal yields of others has made this possible. The other and more dangerous view yet less understood is that maximum crops and high average yields which produce some surplus permits or compels crop production at a point below adequate compensation. The feast that the farmer has provided is shared at a loss to him; other industries have means to make prices stable. It is fate's irony that the farmer's skill and labor, coöperating with natural resources, makes him provident of all and his providence becomes the cause of his losses.

Economic Place of the Farmers

Bulletin Number 746 issued by the United States Department of Agriculture notes that the income of the farmer, for his labor, and superintendence is less than any other occupation except that of the factory worker and employees of telephone companies which industries include women and minors. The incomes of salaried employees of factories, street railways, patrolmen, federal employees, telephone companies and clergymen averages around $400 more than the average earning of farmers. The farmer, after calculating the interest due him on his property, receives for his labor $200 and an allowance of $400 more for produce consumed on the farm. Mr. Reed, the farm management investigator of Michigan, found that 96 farms investigated in 1915 for the previous year a labor income of $393. This was less than the earnings of farm laborers. The 10 best farms investigated showed a labor income of $828 or about the earnings of the average federal employe. That is, the best farmers were scarcely equal to the average of all federal employees. In other words, after a generation of agricultural education and the expenditure of millions for agricultural advancement and efforts of farmers' organizations, there is no financial inducement to offer for men to put their time and talents into farming. Boys leave the farm for the reason that the compensation is inadequate to that of other vocations. The city and its industries is the great Ford plant, with its high wages, against which the farm cannot compete. If it needed any additional proof, the enormously increasing city population as compared to the country is but another way of expressing the fact that there is a demand from both city and country for labor, and that the city industries are able to outbid the country. With this comes the increasing cost of living; and agriculture, below the point of efficiency, is unable to produce economically.

The superficial and thoughtless advices are that agriculture should increase its efficiency, and also products at the same time. Being unable to compete for labor in the present market, increased production is out of the question. Capital and labor go elsewhere. The economics of agriculture has as yet, not been written, as being a coördination and coöperation of industry with other lines of life. The individual farmer is much like Maeterlinck's one honey bee, unable to make honey. If the farmer associates into an organization, what are the possibilities and limitations of, and functions that his associated activities will be made of service, is a proper question to ask.

What Little Denmark Is Doing

The Danish method allows the producers to meet their changing conditions from their own viewpoint, rather than from that of the speculative buyer. A successful corner on any product in the modern business world and getting there first is the correct estimate of supply and demand. The laws of the German Empire forbid futures options and by governmental control strives to make prices to the producer compensatory. In this the German Empire has doubled all the great agricultural products in the last 20 years.

Agricultural maxims of "greater crop yields," "improved methods," and "increased efficiency," fall short of leaving the rewards with those who practice the precept. And this, in turn, defeats the advice, however well meant. As a concrete example, a leading dairyman of Michigan saw nine different milk wagons serving customers in the same block in one of the smaller cities of Michigan. Whatever efficiency even to the highest degree of the producer, was being defeated by the wasteful methods of distribution and the low price paid for product prevented expansion of dairying, as long as the distributor fixed the price to the producer and consumer. An organization of producers using the power of adequate price-making would have decreased the number of distributors and increased production. Much of the high cost of living is duplication of services. In Denmark price fixing decreased the number of distributors and increased the volume of business, done by those who remained in trade and also the total of agricultural production.

The world has stood in amazement at the super-ability of the German Empire to feed itself during the war. The Imperial Chamber of Agriculture or *Landwirtschaftstrat,* consisting of 73 men, with headquarters at Berlin, connected with the state and local chambers of agriculture, was and is the coördinating power of compensatory and systematic agriculture. Storehouses for the imperishable products are part of the system. Supply and demand are the prime features of the Imperial Chamber of Agriculture. Advices collected from the bottom up, digested and assimilated, are disseminated from the top down. The interpretation of supply and demand is from the producers, by them, and for the benefit of the whole nation. Tariffs are raised or lowered, bounties given, and every resource employed to maintain agriculture. The food supply is declared a matter of national concern and the one prerequisite is to pay the grower to make this provision. Denmark, through the action of the trades law of 1912, invites if not compels agricultural organization to interpret supply and demand in terms of price.

The necessity of organization of the agricultural industry of the United States for some time has been apparent. There is no unity of purpose. Existent organizations are largely local, at least not exerting the maximum of influence. Nor does there seem to be a necessity for adding to their number.

A Plan For Nationalizing Agriculture

The following plan is submitted for a National Board of Agriculture, with headquarters in Chicago, and perhaps subsidiary local office headquarters at points of special production and at Washington.

Affiliate the following and additional organizations: viz.—such bodies as the National

Grain Growers,
Livestock Growers,
Milk Producers,
Cotton Growers,
Tobacco Growers,
Potato Growers,
Others.

Let these bodies choose and finance the national body. The duties of this body would be to ascertain and interpret supply and demand in terms of price from the producers' standpoint of adequate compensation, united with the added consideration of moving the crop.

The consumer would share in the benefits of a large crop but not at the expense of the producer. The livestock grower would know that he could finish his product to the maxim of weight and the grain grower increase his yield and that others would not reap where he had sown.

The board of agriculture's price advices would allow the middleman to perform his service without compelling him to become a speculator. The miller could sell flour without ''hedging'' by basing quotations for flour on board of agriculture prices. Business would be stabilized and the opportunity for speculation gone.

The judgment of trained men as to the equities of price would have the support of the producer who could with his concurrence and this determined by self interest, correct errors by price maintenance until all were given an opportunity for a change. The commercial world would look to a trained equitable price judgment from the producers of agricultural products just as it has accustomed itself to the price level expressed by other industries who assume this function and do not tolerate the buyers' price for his product. While this transference of price making from the buyer to the producer may seem revolutionary, it is the rule in other industries. The present condition of American agriculture is the result of this power being assumed outside of the producer. That this power would not be used oppressively is seen in the fact that the Michigan bean growers have for the past two years made a lower minimum price than that to which the buyers have pushed the market.

THE UNIFICATION OF AMERICAN AGRICULTURE

Carl Schurz Vrooman*

The remarks of our chairman about the ladies reminds me of the story told of a man who bragged a good deal about his wife. He insisted that he had a perfect wife and as he was always talking about having a perfect wife, finally his friends got tired of it. They had good wives of their own and did not like to hear his wife talked about all the time. So they said to him, "Look here, we know that you have got a mighty good woman. You have a better woman than you deserve, by a good deal, as most of us have, but she is human like all the rest of our wives. She has made her mistakes and we do not like to be hearing all the time what a perfect wife she is. Now just sit down here for five minutes and think. You have been married several years. See if you can not recall something she has done that is not to her credit, something you would have preferred otherwise." He thought for five minutes and then said, "No, she is perfect. As I said before, she is perfect. But," he said, "there is one little matter I would just as soon see changed. As a matter of fact, when she is drunk she swears."

Now, the agricultural problem always calls to my mind the story of the old colored man to whom a white man owed some money. When he went around to collect it the white man said, "I am sorry, but I have not got the money. I will have to give you a check." The colored man said, "I don't know nothin' 'bout dem checks. I'd rather have the money." "Well," said the white man, "I told you that I haven't got the money. I will have to give you a check and you can take it down to the bank and get the money from the cashier." Reluctantly the old man took the check and went down to the bank. Truly enough there were a lot of people standing in line handing in checks and getting out money, and he took his place in line, but just as he got to the window the man inside pulled the window down and said, "We are very sorry, but this bank has suspended payment." "What's de matter?" asked the old darkey. "Ain't you got no mo' money in dar?" "Yes, we have a lot more money in here, but the bank has suspended payment," was the answer. "Ain't Mr. Jones got no mo' money in dar?" "Yes! Yes! but as I've explained repeatedly the bank has suspended payment. Don't you understand what that means? Have you never heard of a bank busting?" "Yas, suh," replied the old man, "suttinly! suttinly; but dis is de fust bank I ever had to bust plum' in my face."

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The Life of Things Unexpected

Now, no man ever farmed very long who has not got accustomed to having things 'bust' in his face. For example, a couple of years ago I put a lot of phosphate on some land down in Champaign county, Illinois, and ploughed under a lot of clover. I got 47½ bushels of wheat to the acre, but just the day before I threshed, a cloudburst washed away most of my wheat. Something had "busted in my face," and I was up against that great primeval problem of the farmer, single-handed, fighting his battles against the hail storm, against drouth, against insect pests and also against something which is worse than any of these, for from time immemorial the farmer has conquered all of these, that is to say, against the malevolent power of human greed, which man never yet has been able satisfactorily to conquer. This is our greatest problem, and until during the past three or four years this is the problem that the farmer has been left to face alone and single-handed.

For 50 years the United States Department of Agriculture has taught us how to fight the chinch bug, the army worm, the boll weevil and all insect pests; how to fight drouth, and how to come out a conqueror, but until within a few years it has never taken thought to solve for the farmer his economic and business problems.

I can remember when I was a boy out on the plains of Kansas, we used to have the locusts or grasshoppers come in by millions and eat up every green thing there was in that whole fair region. But this only happened once in a few years. And then occasionally we would have a drouth. I have seen corn as high as my shoulder, as beautiful, as green as any that ever grew under God's sky, and the hot winds came up from the Indian Territory and Texas and burnt it to a crisp within 24 hours.

When One Dies of Mortgage on the Heart

This happened only once in a few years, but every year and all the time, during that period, another enemy hovered over us, hung over us like a pall—the mortgage, with a high rate of interest. More farmers' wives died of mortgage than of tuberculosis and cancer combined, and more farmers' wives went to the madhouse from mortgage than from all other causes combined. The farmers appealed to Congress for help. They formed the Grange, a powerful organization; they elected state legislators; they petitioned Congress. They said, "Give us help. We need more money. We need money on longer time and on easy terms of payment, and at lower rates of interest."

What did Congress say? They said, "This is paternalism; you must stand on your own feet." And all the time Congress was helping and practicaly subsidizing the big industries in the East. Then the Farmers' Alliance was formed and did much the same things that the Grange had done. They petitioned Congress and they even formed a political party, the Populist party, and they sent congressmen and senators to Washington who said, "Let the farmer have help in solving his financial problems. He is as much entitled to help as are the wealthy manufacturers in the East."

Congress not only spurned their proposition, but laughed at their doctrines as "hayseed socialism," populism, and paternalism. It is only this year, for the first time in the history of this country, that Congress has passed a great financial measure, the Federal Farm Loan Act, primarily in the interests of the farmer. This same Congress has passed a lot of other laws along the same line; the bonded warehouse act, the cotton futures act, the good roads bill and all the rest. What do these laws mean? They mean that at last the farmers' interests are being taken into account.

The Noblest Work of the Department

Perhaps the biggest thing that the United States Department of Agriculture has done recently was to create and organize the bureau of markets. The bureau of markets has been criticized by some people because it has not accomplished its lifework during its teething period. I know that it has not solved all problems of the farmer. I did not expect it to do so in two years, and I do not expect it to do so in the next two years. But for the first time in our history the federal department of agriculture has a bureau of markets and has plenty of money with which to hire experts to work on all the problems that the farmer has to face in his fight with the usurer, the fake middleman, the transportation shark and the other human pests that feed off the profits of the farmers' business dealings. For the first time the federal department of agriculture is attempting to chart the treacherous seas of the economic and financial world for the farmer, to point out to him reefs and shoals upon which tens and hundreds of thousands of his fellows have met shipwreck in the past, and to indicate to him safe channels, to the haven of a successful farm business. This is no small affair. It is an epoch-making performance.

At last the statesmen of this country have learned something from the farmers' organizations, and I want to congratulate the farm organizations of the country because the members of these farm organizations and their fathers and those who went on before them were the pioneers who blazed the way and made a path along which the federal government at last is building a broad highway for human progress.

If I had the time and the power to tell you or even to hint to you what is involved in all that has recently transpired for the benefit of the farmer, you would agree with me that it is one of the greatest events in the history of this Nation—more important than many great battles that have been fought on bloody battlefields. Something constructive, creative, has taken place in this country. The great agricultural classes have been taken into account. These people who for thousands of years have been the foundation of all human society, at last are being met half way by the law makers, by the statesmen, by the economists, by the press. And interesting as all this is, it is only a beginning. Just a beginning, that is all, and to you and to me and to all the farmers in this country who are interested in this great problem, the call comes tonight to make the achievements of the past our starting points, not our goal.

Solving the Unsolved

There are a score of unsolved problems that Congress has not even touched so far. Moreover, most of these beneficent laws that I have spoken of will probably have to be amended in minor details. The work that lies before us is big, not only big with difficulties, but bigger yet with promise. What are we going to do about it? Are we going to meet the difficulties of the future in the same way as we met them in the past? I hope not. To judge from these splendid Conferences that have been held here, I think not. I believe there is a new spirit, not only among our lawmakers and economists and other men in the cities, but a new spirit among our farmers. What is this spirit? It is commonly called the spirit of coöperation.

People have wondered sometimes why the coöperative movement has made so little headway in this country. In the past I squandered a good deal of money, at one time and another, trying to found coöperative institutions. I had a brother who squandered a great deal more than I did, and I know there are many other people who have done the same. This money was not wasted. It taught us one thing, that you can not have a coöperative movement without coöperators.

A National Plan of Action

There are a great many different ways in which we can work, and I have not time to outline them to you tonight in any detail. We in the department of agriculture are doing our work to the best of our ability; the state agricultural colleges and state departments of agriculture are doing their work. Farmers' organizations are doing and for a long time have been doing their work, and new organizations, like that described by the previous speaker, are springing up in an effort to bring some sort of coherence and order out of the chaos of the past—an attempt to take our scattered efforts and unify them until they become irresistible. Can we do this? Does anybody doubt that we can do this? We have the United States Chamber of Commerce; we have an American Federation of Labor, and who among the farmers is a doubting Thomas, who among the farmers has any doubt at all about the ability of the farmers in this country to create a great national organization as powerful as either of these and that will once and for all time put the farmer on the map?

But after you have done this you will have just started. After the farmer is on the map, then, as our chairman has said, the farmer must learn to coöperate with the city man. We must coöperate with the United States Chamber of Commerce, with the American Federation of Labor, with all of the other organizations which represent the producers of this country. There is only one real antagonism in this country that is at all fundamental, and that is the antagonism between the producer on the one hand, and his exploiter on the other. The farmer has only one enemy, and he has many friends. Every honest producer of wealth in this country is the farmer's friend, I care not what may be his profession or trade.

The farmer, after he has organized himself in a gigantic organization, then should go out looking—not for enemies, for if you look for them you will find them; you will create them by your own suspicion and distrust. He should go out and look for friends. He will find them on every hand, first of all because he is the greatest producing power in the country; and second, because, being organized, it will be much wiser to be his friend than his enemy. Everybody is the friend of the powerful. Few are the friends of the weak. So it is the first duty of the farmer to become powerful, powerful through organization. He is powerful now in a disjointed, disorganized way, but his power is more potential than organized. What we want is to make the force of the farmer more and more noticeable in our national life. I believe that in more ways than one the farmer is the hope of the country. The farmer, as some one has said, is the only man in the community who works in direct partnership with the Diety. I told some farmers the other day that the United States Department of Agriculture would like to be a third member in this firm. We are willing to take in some other members. We are willing to take in as members of this firm every producer in this country. We want to draw the line clearly. We want to make a deep line of demarkation between the producers and the parasites. That is the only real division that honest men ought to make in this country in the industrial, economic or financial world. All talk about minor matters is dust in your eyes.

When, however, you have once made this fundamental distinction, you have got to work out efficient methods. But the methods come second. We have got first to understand what the distinction is, and, after the farmers have organized themselves in order to solve their problems, we must then make an organization of all the producing classes in the country. These producing classes must take charge of the country. The men who create the wealth must have the wealth. Moreover, the men who create the wealth are the men who have the brains, the character and the will power that will enable them to dominate the Nation and to build up here a higher civilization than any that has ever been known before.

The Farmers' Dream of Dreams

I believe that in this work it is the farmers that must take the lead, because after all, life in the country is most conducive to largeness and sameness of view. At certain periods of the year the farmer has more leisure than most other classes and fewer movie shows to go to, and therefore he has more time for reading and thought. I expect the coöperative movement in this country to get its greatest impetus from the farmers. I expect the farmers to take the lead. I do not mean that they are to take the lead in cleverness. City people are perhaps cleverer than we are in many ways, and that is why in the past they have had the direction of things in this country. But I find that even among the city people there is a new spirit. I have spoken before chambers of commerce, state bankers' associations and other business organizations, and I find that the business men in this country are coming to recognize the fact that their success depends upon the farmers' success. And moreover, they have not retained the old idea that some of them used to have,—they do not regard the farmer any more as the farmer does his sheep, as creatures to be sheared and occasionally to be skinned. They are coming to regard the farmer as a coworker with themselves. Most of them are willing to help build up the farmers' prosperity. The farmer and the business man are tied together and dependent upon each other in the development of any real or enduring national prosperity.

The Larger View of Things

It is possible for men by predatory processes to go out and grab something from other men. There are people in every state in the United States who are doing this; pickpockets, cutthroats, thugs and crooked financiers. But the men who have larger ideas, who want to build up larger institutions than crooks can possibly build up, the men who want to create great enterprises, the creative minds of the business world, the younger generations, are coming to see that the way for the different elements of this country to get rich is not by fraud, not by exploiting each other, but by uniting their energies to exploit Mother Nature more successfully.

This is the keynote to the economic thought of our present day, and the business men are getting it as well as the farmers. I do not pretend to know what the practical results of this Conference are going to be. Somebody here today seemed to think that we have had a good deal of "loose talk." He seemed to think that the chief result of these Conferences was the mere passing of a lot of good resolutions. But I am convinced this man did not get beneath the surface. Underneath the surface I feel here something bigger than resolutions; an emotion that is bigger than any expression of that emotion that has been made by any of the men who have talked. I feel here a great dynamic force that is going to reach out all over this country and influence men in every walk of life. I feel that here is coming into partial expression a demand on the part of the farmers and other producers for a new type of business enterprise. The farmer is a business man if he is anything at all. If he is not a business man, he is generally a failure. The farmer is becoming a different type of business man from what we have been accustomed to and he is going to create on the farm and in the rural community a new type of civilization.

"The Evidence of Things Unseen"

This is what we see dimly. We feel it; we apprehend it by the eye of faith. But we are working, believe me, those of us who are working in this movement, as were our fathers and those who went before them—we are working for something bigger than larger profits or dividends. We are working to bring into being a new type of civilization. And if we will keep that to the forefront, if we will keep the vision of a greater national future ahead of us, a future based upon the coöperative spirit, a future based upon a spirit of patriotism which not only finds expression on stated occasions, but in our everyday dealings with our neighbors, in the country as well as in the city; if we farmers will make this our dominant motive in this work, then we are launching something that is bigger than any of us realize.

I trust that we will never lose sight of this great ideal, an ideal which would be great if we could not realize it, but which happily is entirely practical, and which we all can help to bring into realization.

A NATIONAL SERVICE INSTITUTION FOR FARMERS

Charles A. Lyman *

The first two Conferences on Marketing and Farm Credits strongly emphasized the necessity of fostering coöperative organizations among farmers. The third Conference last year unanimously endorsed a plan for the creation of an agricultural society that could attack the problems of rural life in a methodical and authoritative manner. In accordance with the Conference resolution President McVey appointed a committee of 10 who drew up the constitution and bylaws of the National Agricultural Organization Society.

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* Charles A. Lyman, a university trained farmer of Rhinelander, Wisconsin, is general organizer of the N. A. O. S., with headquarters at 340 Washington Building, Madison, Wisconsin. He has done considerable field and research work both in America and Great Britain.

Over 14,000 printed copies of these have been sent out through the mailing lists of the secretary of this Conference, together with an equal number of pamphlets written by Mr. Holman; entitled "First Aid to Farming Business." The response to this publicity has been gratifying, and farmers or farmers' associations have written in to the central office at Madison, Wisconsin, from nearly every section of the country, requesting information and assistance. The number of associations that have applied and been admitted for membership comprise in the neighborhood of 30,000 farmers.

It is not my intention at this time to go into a detailed explanation of the plan of organization or the procedure of the N. A. O. S. The constitution and bylaws and the descriptive pamphlet by Mr. Holman will form a part of the published proceedings of this Conference, and thus be available to all. Let me point out, however, some obvious advantages possessed by the N. A. O. S., and which, under the plan adopted, are open to all other farmers' organizations in this country.

Advantages of N. A. O. S.

In the first place the N. A. O. S. is not hampered by traditions or by past misfortunes. It begins its career at a time when there is an unprecedented demand for skilled help in forming nearly every type of business organization among farmers. It is like a government which having in the past pursued a policy of unpreparedness can profit by the mistakes of other nations and concentrate its attention on submarines, aeroplanes, Lewis guns or whatever the experience of warring countries has shown most effective in modern warfare. The N. A. O. S. in selecting its working force has naturally attempted to secure the services of men who are familiar with the farmers' problems. It has picked no dark horses whose course of action would be problematical but it has secured the services of men who in the past as in the present have stood for sound projects.

Secondly, every possible facility has been given the working committee to carry on its work. At Madison there are four great libraries, two of which are particularly rich in coöperative material. The supreme court and reference libraries make it possible to keep in closest touch with nation-wide and international legislation and all court decisions germane to the subject of agricultural coöperation. The files of the preceding Conference on Marketing and Farm Credits containing the bylaws of many successful associations and letters from farmers, educators and noted men from all over the world form a very valuable adjunct to the material constantly being collected by the N. A. O. S.

Thirdly, the friendships and personal connections made by the general and working committees give a wide opportunity to promote satisfactory working relations in practically every section of the United States.

Available, then, to every group of farmers is this central office of the N. A. O. S., where reliable information affecting the organization of agriculture can be secured and from which field workers can be sent to directly assist in organizing creameries, cheese factories, livestock shipping associations, warehouse companies, etc. Without a single exception the N. A. O. S. has stood and will continue to stand for the organization of such associations upon the one-man one-vote basis and patronage dividend plan. The joint stock plan of doing business has been found unsuited to the business of farming.

Connecting New Associations with Going Concerns

Having assisted a community to organize the N. A. O. S. seeks to bring the local association into a close relationship with other associations of a similar nature. For instance, in Wisconsin all farmers' purchasing associations are advised to concentrate their bargaining power in the hands of Mr. H. E. Holmes, who is securing organized farmers wholesale rates on practically every sort of agricultural requirements. Creameries and cheese factories are being assisted in like manner to federate and form butter and cheese "controls" for the purpose of improvement in quality, saving in operation and securing of better and more stable markets. And in a like manner cheese factories that are being assisted to federate are urged to affiliate with the Wisconsin Cheese Producers' Federation wherever such arrangement can be made satisfactorily to both parties.

Fighting Fakerism in the Movement

On the other hand the N. A. O. S. has taken a firm stand against what it considers a very harmful situation and one that it believes is deeply injuring the good name of coöperation. Professional promoters have been allowed to enter the movement, and with little regard for the success of these enterprises have sold shares of stock in coöperative packing plants and other large undertakings and have exacted a toll of from 15 to 20 per cent of the capital stock. In Wisconsin alone the farmers have paid out to these promoters the enormous sum of over $250,000. In addition to this tremendous drain upon both the pocket book of the farmer and the resources of the companies, the La Crosse packing plant is about to close its doors chiefly because of the excessive promotion price paid for a rundown plant and the spoiling of large quantities of meat through careless and incompetent management. The loss probably amounts to $200,000. Four hundred and fifty thousand dollars to date then is a conservative estimate of the price Wisconsin farmers have paid in the last three years to promoters in commissions and actual losses due to a sense of unwarranted security which came from relying on the glib tongues of plausible salesmen.

Little good can come at this time "after the horse is stolen" in pointing out that several of the men now connected with the N. A. O. S. did all in their power to warn the farmers of the danger they were running, and that every business and ethical consideration demanded that the sale of stock should be carried on by the farmers themselves through voluntary committees or by expert business men over whom the farmers would have complete control.

The situation is so serious in Wisconsin that a further statement for the information of delegates present seems necessary at this time. The N. A. O. S. was created for the purpose of studying, investigating and reporting to its members matters of this very sort.

The N. A. O. S. hopes the day will arrive when coöperative packing plants are as numerous and successful as they are found to be in Denmark. It is exceedingly anxious that the coöperative packing plants in Wisconsin will be eminently successful.

It has offered its assistance to these plants and has been the means of bringing directors and officers of several of them to this meeting for the purpose of working out plans for safeguarding the coöperative packing industry in every legitimate way. At the same time the N. A. O. S. believes that instead of having four packing plants in Wisconsin, one of which is practically insolvent, it would have been far better to have gone about the matter in a more careful manner and to have first federated the coöperative livestock shipping associations in Wisconsin and then to have financed one centrally located packing plant from the shipping associations. In other words, to have followed the plan so successful in the case of the Sheboygan County Cheese Producers' Federation, where the factories own the shares in the selling organization and, having determined their policies locally, give the president of the factories full power to act in their behalf.*

It is not impossible that sooner or later some such plan will yet have to be worked out. The greatest difficulty arises in securing a quorum to do business at stockholders' meetings owing to the large number of shareholders—4,000 or 5,000 in some cases. Moreover, the professional salesmen have sold shares in many localities far removed from the packing plants. The voting by mail, which is a provision of the Wisconsin coöperative law, was clearly never intended to cover cases of this kind. In associations so large as these are the members can know little of each other and the danger of slate fixing in the election of directors creeps in. While this element of danger has probably not entered seriously into the situation thus far there is no certainty that it will not do so at any time, and to the speaker's own knowledge a certain farmer who was in a representative capacity with a prominent farmers' organization was told he would be slated as a director of one of the packing plants if he would subscribe for a share of stock. Long distance voting and slate fixing by men directly upon the ground make a dangerous combination and do not spell successful coöperation.

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* Now the Wisconsin Cheese Producers Federation.

Safeguarding the Good Name of Coöperation

It is not a pleasant task to call attention to matters of this kind and yet it is a duty that goes with the knowledge that comes from constant contact with actual conditions. The N. A. O. S. while it is in existence will feel its obligation to the farmers of this country to safeguard in every legitimate and necessary way the good name of the coöperative movement. If it is to have any marked usefulness in this country it can not pursue a colorless existence. It will be found at the front leading when there is none other to carry the farmers' banner, or aiding and supporting others when true leadership already exists.

Distinctions Between N. A. O. S. and Tax Supported Agencies

In discussing how the N. A. O. S. was created and in giving you one or two concrete illustrations of the problems it meets with it has been assumed that you are familiar with the need for this service agency, and that no one confuses the scope of its work with "state aid" agencies. Sir Horace Plunkett has so admirably stated the functions and limitations of "state aid" and voluntary "self help" movements such as the N. A. O. S., and his books and pamphlets have so wide a circulation among students of agricultural organizations that it seems needless to go into the matter at this time.

But to briefly illustrate the difference between the work which the N. A. O. S. is doing and that of the U. S. Office of Markets for instance, let us take a case where the department sends out a man to inform warehouse associations of the advantages of proper book-keeping, while the aim of the N. A. O. S. is to provide the book-keeper himself. Or where the department informs farmers that collective bargaining is desirable, while the N. A. O. S. sees to it that the proper arrangements are actually made and that farmers do get wholesale prices in feeds, fertilizers and seeds. The two movements go hand in hand and should assist and supplement each other. The instructor in the dairy school tells the students what principles are essential in a good cream separator—he confines himself usually to principles and for obvious reasons does not actually inform the student which separator is the best. Assuming that there is one "best" separator on the market the "self help" movement which is working in the interests of the farmers alone actually names the separator and if possible shows the farmer or his association how to buy it upon the most satisfactory terms.

Duplication of Farmers' Organization

Certain people in this country, doubtless with the best of intentions, but without a full knowledge of the subject, have deplored the large number of organizations that already exist which are making a business of educating and organizing farmers and have attempted to minimize the need for the N. A. O. S. Aside from the Equity, Grange Farmers' Union and Gleaners there are few, if any, agricultural propaganda bodies that are attempting to help solve the problems of rural life. Yet in Germany, which is smaller in area than the state of Texas, there are five or more great federations of an authoritative nature. These are:

1. The Imperial Federation of German Agricultural Coöperative Societies.
2. International League of Agricultural Coöperative Societies.
3. Raiffeisen Federation of Rural Coöperative Societies.
4. Landwirtschaftsrat.
5. Bunde der Landwert.

An Aid to Other Organizations

It would seem that if all these powerful organizations can exist in Germany, that here in the United States with so much larger a country in size, resources and population, there is both room and need for all of our American agricultural organizations, and especially is there need for the helpful, scientific and authoritative service of the N. A. O. S. For it is not the purpose of the N. A. O. S. to supplant any other existing farmers' organization, but on the contrary it offers the services of its organizers, its legal, reference and other departments to any of these organizations which request its informational resources.

The N. A. O. S. believes that organizations such as the Grange, Equity and Farmers' Unions exist because of social and economic needs. It assumes that such organizations are on the right road and are seeking the regeneration of agricultural conditions in the United States.

The N. A. O. S. has to the farmers' organizations of America a function similar to that which an architect has to those who would erect permanent and satisfying buildings. Just as the architect deals with the structure of houses and the composition of the structure, so the N. A. O. S. deals with the structure of organizations and the composition of such structures. Just as the permanency and stability of the structure must rest upon a permanent foundation of the first class, so the farmers' coöperative structures must rest upon sound basic laws. For that reason we not only are working to give our clients the best that we can in the way of structures, but we are also trying to make the basic foundations of the right kind. In such an undertaking the claim for your consideration which the N. A. O. S. makes is the integrity of its purposes and the consistency with which its associates and employes carry out the higher ideals.

FIRST AID TO FARMING BUSINESS

Charles W. Holman *

"We are organizing a farmers', cheesemakers' and buttermakers' advancement association and would like to have a model in drawing up our constitution and bylaws. Can you help us?"

So wrote a Wisconsin farmer to the National Agricultural Organization Society on March 4, 1916. That letter, typical of many that come to the N. A. O. S., was referred to a salaried organizer who is familiar with the butter and cheese industry. The organizer informed the correspondent that he had but little faith in the success of an advancement association which combined farmers with business men when their interests were

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* This paper by Charles W. Holman is reproduced from Circular No. 2 of the N. A. O. S. to answer many inquiries that come to Conference headquarters as to what the N. A. O. S. is doing. It is reprinted from The Farming Business of August 26 and September 2, 1916.

not identical. He then outlined the principal reasons why farmers find it best to organize to do their own business. He also described the essentials in any farmers' coöperative trading organization.

In late April the correspondent reported that the farmers had held a meeting and had come to the conclusion that they should organize a coöperative association to ship livestock and general farm produce, and to purchase heavy farm supplies. How were they to go about it?

By return mail the N. A. O. S. advised the calling of a second meeting to canvass the matter more thoroughly, and suggested the selection of a special committee to undertake an investigation and to sell share capital. The N. A. O. S. then promised to send an organizer to aid in completing the work.

Nothing more developed in that community until the middle of July when a letter came in with an application for membership in the N. A. O. S., and word that the community had followed every direction and was now ready to complete their organization on July 20.

True to its promise, the N. A. O. S. sent an organizer to this meeting. At that time the character of the association was determined. Since then the N. A. O. S. has drafted the necessary articles of incorporation and the bylaws and has negotiated the incorporation of it under the coöperative law of Wisconsin. Aid will also be given for the installation of a simple system of book-keeping.

But the N. A. O. S. service will not end with that preliminary assistance in organization. The community has complied with the membership requirements for a year and is therefore entitled to occasional visits by organizers, to inspection of its books, and to any aid of a special character that it requests when it comes within the province of the N. A. O. S. Such a service in its present form is new in America. Which brings up some of the questions: What is the N. A. O. S? Why is it giving this service? Who are behind it? What does it signify?

How The N. A. O. S. Was Born

The N. A. O. S. was founded in 1915 under the auspices of The National Conference on Marketing and Farm Credits. It was created as a service agency to give farmers' organizations an opportunity to make use of true and tried principles and methods of business practice.

Here is how and why it was born:

For several years the American people have been much concerned with the enormous wastage in the marketing of farm products. The complete transformation of conditions of production and sale which have done away with the importance of the individual farmer and require combination for effective sales of farm products, have brought up many complex problems and have naturally resulted in numerous failures on the part of farmers' organizations. Accordingly, for several years, various groups have interested themselves in the development of a constructive business policy for American farmers. In order to find out what should be done, pilgrimages were made to various parts of the world.

Organizations were created for the gathering and tabulating of information. Conferences were held for the discussion of proposed American policies. During this time sentiment has gradually clarified and a large number of those who have given thought to this subject are now convinced that there is need in America of a citizenship agency controlled by farmers and supported by voluntary contributions. This agency, they think, should devote its attention to investigating methods of doing business, to fighting the farmers' battles before such bodies as the Federal Trade Commission, to furnishing of organizers to form coöperative societies on approved lines, and to assisting these societies from time to time in the transaction of their business.

These leaders point to the methods by which industrial enterprises are formed and kept on an efficiency basis as a reason for the creating of such an agency for the farmers. Throughout the world may be found efficiency engineers who may be called to the service of business enterprises. These engineers overhaul a business, find its leaks and make recommendations for stopping the waste. They often bring about important changes in policy that reach throughout the entire operation of a plant.

These leaders also have found that in Great Britain and on the European continent the efficiency idea has been applied to the farming business. But these agencies operate on a broader scale than do the efficiency engineers for private business; for they have at heart the building of a rural civilization as an end, to which better farming business is but a medium.

At first it was thought that farmers could use the same mediums of combination for trade that industrial organizations have used. But experience has proved that farmers' organizations need special laws permitting them to operate and should be formed on principles different from the ordinary trading bodies. How then to adjust a farmers' organization to the requirements of business has become a complex and exceedingly difficult problem—one that varies with crops and sections. To make this adjustment it was proposed to create the National Agricultural Organization Society and the general committee proposed to the delegates who met in 1915 the formal inauguration of this society.

Who Govern The N. A. O. S.

The Third National Conference on Marketing and Farm Credits unanimously endorsed the recommendation of its general committee and gave authority for the creation of this service agency. It authorized the chairman to select a committee to undertake the formation of the society and the drafting of its provisional articles of organization and bylaws.

Chairman Frank L. McVey of the National Conference on Marketing and Farm Credits, president of the University of North Dakota, devoted some time to the picking of a committee that would undertake the provisional organization of the N. A. O. S. That committee, in addition to himself, consists of the following:

Leonard G. Robinson, former general manager, the Jewish Agricultural and Industrial Aid Society, New York City;* president, The First Federal Farm Loan Bank, Springfield, Massachusetts.

* Appointed in January, 1917.

Gifford Pinchot, Milford, Pike county, Pa.

John Lee Coulter, dean, College of Agriculture, and director, Experiment Station, University of W. Virginia, Morgantown, W. Virginia.

H. W. Tinkham, trustee, the Providence Market Gardeners' Association, Warren, Rhode Island.

Charles McCarthy, chief, Wisconsin Legislative Reference Library, Madison, Wisconsin.

Clarence Poe, president, The Progressive Farmer Papers, Raleigh, North Carolina.

Millard R. Myers, treasurer; Editor, American Coöperative Journal, Chicago, Illinois.

H. W. Danforth, president, National Council of Farmers' Coöperative Associations, Washington, Illinois.

Clarence Ousley, director of the department of extension and home economics, the Agricultural and Mechanical College of Texas, College Station, Texas.

Harris Weinstock, state market director, San Francisco, California.

Outlining A Farmers' Campaign

The committeemen accepted the responsibility and drafted the provisional constitution and bylaws modeled after the structure of the Irish Agricultural Organization Society which embodies the first attempt to do this character of work among the English speaking peoples. Under the banner of the I. A. O. S. nearly 110,000 Irish farmers are organized into 1,100 coöperative societies. The purposes of the N. A. O. S. as outlined by the committee, are:

(a) To coöperate with central bodies and local branches of societies or other associations, for the promotion of "Better farming, better business, and better living."

(b) To organize agriculture and other rural industries in the United States on coöperative lines.

(c) To examine into the methods of production and distribution of farm products with a view of evolving systems of greater economy and efficiency in handling and marketing the same.

(d) To encourage and promote the coöperative organization of farmers and of those engaged in allied industries for mutual help in the distribution, storing, and marketing of produce.

(e) To aid in the economical transfer of agricultural produce from the producer to consumer.

(f) To supply instructors and lecturers upon the subject of coöperation among farmers, auditing and accounting experts and legal advice in matters relating to organization.

(g) To issue reports, pamphlets and instructions that will help in spreading knowledge of the best means of rural betterment and organization.

(h) To encourage and coöperate with educational institutions, federal and state departments, societies, educational centers, etc., in all efforts to solve the questions of rural life, rural betterment and agricultural finance and marketing and distribution of produce and the special application of the facts and methods discovered to the conditions existing among the farmers of America and to the solution of the problem of increasing cost of living.

(i) To investigate the land conditions and land tenure with a view to working out better, more equitable and fairer systems of dealing with this problem so vital to the social and the economic well-being of the country.

(j) To call from time to time such conferences or conventions as will carry out the above mentioned objects.

Since the constitution and bylaws were put forward as a working basis it has been subjected to the test and criticism of many people and organizations, and a number of important changes will have to be made before it is presented by the committee at the first annual meeting.

How The N. A. O. S. Is Financed

Among the world citizens keenly interested in the advancement of agricultural coöperation is Sir Horace Plunkett, founder and president of the Irish Agricultural Organization Society. About the time of the First National Conference on Marketing and Farm Credits, Sir Horace and a group of American associates met and constituted themselves an informal body to promote the organization of agricultural coöperation in the United States.

One of the first of the uses to which the funds of this group were applied was in the training of agricultural organizers and making it possible for them to study prevailing methods of organization in Great Britain and on the European continent. When the N. A. O. S. was launched by the National Conference on Marketing and Farm Credits, this group offered its trained experts temporarily to work under the direction of the N. A. O. S. But the N. A. O. S. will be financed by fees from different organizations which pay service fees or affiliation fees to it. It will thus become an entirely democratic self-sustaining body.

Temporary Home of The N. A. O. S.

By means of this financial assistance, the N. A. O. S. was enabled to open temporary general offices in Suite 340, Washington Block, Madison, Wisconsin, and to employ a small corps of organizers, legal counsel, and a clerical staff. Madison was selected as the first home of the N. A. O. S., largely because of its facilities for research afforded by the location of four great libraries, and by the presence of a large number of students of agricultural economics from all quarters of the globe. These students are available for special work and from among them a staff of trained experts is being developed. Arrangements have been made, however, to transfer the general offices to any point in America most convenient whenever the work of the society grows to where such transfer would be in the best interest of the general movement.

The N. A. O. S. opened headquarters in Madison in January, 1916. At that time it offered its services to 14,000 farmers' organizations and individuals. It has also conducted an extensive and successful publicity campaign for agricultural organization and for the enlightening of the people with regard to its purposes. It has developed a large correspondence with individuals and organizations in about 20 states. This correspondence has been in the nature of aid to the individuals and organizations. Its representatives have traveled extensively in the East, the South, Southwest and Northwest, and trips are planned through the Central states.

Decentralization Policy

The question of distance is the greatest handicap to the N. A. O. S. in the giving of direct service. Accordingly the staff has worked out a plan for decentralization of activities. This plan looks toward the establishment of division and state offices and will include the formation of state committees to control activities of resident organizers. Several of these will be opened in the near future and arrangements are now made to create them as fast as the service is needed and men can be secured to do the work in a competent fashion. Accompanying these plans are proposed budgets for expenditures. These budgets are based upon field studies of conditions and the activities that are most desirable in the initial stages of branch and state office work.

Legal Service and Aids to Legislation

A glaring defect in the organization of American agriculture has been the lack of any recognized and competent agency to investigate and devise workable laws governing the formation of coöperative societies. The lack of trained legal service available for the guidance of farmers' societies in the drafting of their articles of incorporation and their bylaws under the terms of the various state coöperative acts, and for the settling of difficult points arising is most noticeable.

Yet there are great and pressing problems of national and state character which must be solved. Among them are the relations of farmers' coöperative societies to the Sherman Anti-Trust law, questions that involve discrimination against farmers in matters of trade, questions that have to do with the power of local associations to inaugurate activities that are necessary for their welfare, yet which may be against the terms of some form of state corporation law.

To meet this need the National Agricultural Organization Society created at the outset a legislative and legal department, employing at the head of it two of the most skilled lawyers and legislative draftsmen in America. This department is constantly at work on matter that affects the common welfare. Its services are available for the drafting of state and federal laws, for the drafting of articles of organization and bylaws of any type of coöperative society, and for the fighting of the farmers' battles in matters of claims and adjustments which might come up from the membership. Already the N. A. O. S. has drafted constitutions and bylaws for a number of coöperative organizations and is in touch with leaders in several states and will draft for them the coöperative laws adapted to the needs of those states. It has looked into the future and drafted plans of organization for types of societies not yet formed but soon to be formed.

Surveys and Inquiries

From time to time the N. A. O. S. is called upon to answer questions that relate to the progress of the farming movement. Accordingly it is constantly collecting data that may facilitate its work, and it conducts surveys in the field. The N. A. O. S. has made preliminary surveys along the following lines:

(a) The whole milk problems of the Middle Western states. It is studying the specific problems at Milwaukee, Chicago, Kalamazoo and Detroit, and expects to begin a study of the problems at Cleveland and St. Louis.

(b) Alleged discrimination against farmers in trade relations.

(c) The status of farmers' organizations under the Sherman Anti-Trust Act.

(d) A comprehensive inquiry into the American land question, and the distribution of immigrant and native population. Constructive programs for land settlement are now in process of preparation. These programs include national and state aid machinery.*

The N. A. O. S. reference department has also answered a number of inquiries relating to difficult points in coöperation.

The Training of Employes

Skilled men, capable of doing agricultural organization work, are rare in America. The N. A. O. S. has therefore begun to train young men as organizers. Their work is very different from that of the organizer of the old time, as these men must not only have a knowledge of agricultural economics but they must have special training that fits them to give advice of a business character. It is now training four young men for organization work and will admit others to the service as its facilities enlarge. These young fellows after passing through their apprentice work will be assigned to field work as organizers, and the more worthy of them may be permitted to finish their studies by field observations in foreign lands.

The N. A. O. S. has endeavored to and has established coordinate relations with the United States Department of Agriculture, and with several state departments of agriculture and educational institutions. It is also endeavoring to work in harmony with existing farmers' organizations.

Much of its work, however, is in planning for the future and the financing of future work.

How The N. A. O. S. Can Help Your Community

When a request comes to the N. A. O. S. for aid in marketing or purchasing the first thing that is done is to send to that community a blank to be filled out. This blank asks important fundamental questions and develops information along the following lines:

(1) The type of association needed; (2) area to be served; (3) the number of farmers expected to join; (4) attitude of the farmers toward purchase of shares; (5) characteristic crops in territory; (6) railroad facilities; (7) whether any or-

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* Much additional work has been done since this circular was written.

ganizations in the territory are engaged in similar activities; (8) principal markets; (9) whether the community is shipping in carlots or could be brought to ship in carlots; (10) whether any coöperative society has been attempted and the history of its efforts; (11) prevailing nationalties and whether they work in harmony; (12) what state and federal aid has been asked, etc.

These questions are asked in such a way that an average person can easily secure enough information to enable the N. A. O. S. staff to arrive at a rough picture of the conditions of that community. While waiting for the correspondent to fill out this blank whenever possible the N. A. O. S. makes inquiries concerning the community and the conditions there. It also makes some investigations regarding the person writing so as to assure itself that it is not dealing with incompetent individuals. If the inquiry comes from a far state the person to whom this project is assigned also takes up the question of bringing to the aid of that community the recognized organization institutions in the territory, so that if it is impossible for the N. A. O. S. to send a man in person the community will secure the service of a reliable individual versed in the theory and technique of organization. Sometimes the N. A. O. S. requests one of these individuals to go immediately to the community and make a preliminary survey, and report to the office, as a guide in correspondence.

A Follow-Up System to Aid Coöperation

When a community project is deemed worthy of assistance and chances appear good for the venture succeeding, the N. A. O. S. sends an organizer who goes into the local situation very carefully and aids the community in starting on a sane, conservative, business basis. Such an organizer has unexampled facilities to assist him in doing his work. Behind him are the legal and reference departments and the general office with which he is in constant touch. Should the organizer remain upon the ground several days, say pending the drafting of a constitution and bylaws, the general office carries out his instructions while he is working out local problems.

After the organization is perfected it is the duty of the organizer to aid the community in selecting a competent manager, and in some cases to instruct the managers in the details of his new business. This may involve assistance in opening up a simple system of book-keeping, the formulating of business plans, the finding of business correspondents for the handling of the new associations, trades, etc.

The organizer is then expected to keep an eye upon the affairs of this association and to make visits from time to time so as to advise the community where it is making errors. In the course of his work, the organizer also encounters problems that require the utmost delicacy and tact in handling. Possibly at one visit the association may be threatened with a complete split because of some trivial matter.

How varied are the demands that come to the Madison office, may be seen by a few examples.

What Was Done for Some Communities

A Grange in Wisconsin wished to incorporate; articles of incorporation were drawn up and sent. Articles of incorporation and bylaws have been drafted for a Grange clearing house association.

A cheese producers' federation wished advice as to how to distribute dividends. Investigation into the conditions revealed the fact that the profits of this society were really needed as working capital. On advice, the federation placed its profits in a reserve fund.

Bylaws were sent to a creamery company wishing to incorporate; a farmers' trading and supply company in Washington state was given assistance in strengthening their organization.

A joint stock company manufacturing cheese has been aided to transform itself into a coöperative company.

Bylaws have been prepared for a tri-county hay federation in Wisconsin. The case of a California poultry association, complaining that it had been discriminated against in trading matters, has been taken up and will be brought to the attention of the Federal Trade Commission.

Similar cases are being handled as they come up. Criticisms of state coöperative laws have been furnished citizens of their respective states on request. Improved coöperative laws have been furnished and others are being prepared to be introduced in legislatures this fall by citizens interested. Aid has been given milk producers in cities of Wisconsin, Michigan, Illinois, Pennsylvania and California. A New Mexico community wished to start a rural telephone exchange; the N. A. O. S. furnished the articles of incorporation and bylaws with directions as to how to proceed.

The membership fee paid by a local organization is for the services described, and at the present time is $5.00 per year, which also entitled the society to send a delegate to the annual meeting of the N. A. O. S. This delegate may vote on all matters of policy and on the election of the directors and officers of the N. A. O. S.

Helping The Organized Farmers

It is not always the unorganized community that is in greatest need of expert advice. This has been proven by the experience of the N. A. O. S. in the last few months, when numerous problems have been presented it by farmers' organizations already in the field.

Such problems vary from transformation of joint stock companies into coöperative corporations to technical questions, as to distribution of dividend, building of reserves, and important questions of business policy. Sometimes an organization advises that it cannot do business satisfactorily and does not know why. It applies to the N. A. O. S. for aid. Perhaps it is unable to secure credit because it is an association in name only; it has not incorporated and has no business standing. Perhaps it is a joint stock company and the smallest patron owns the largest amount of stock, which would immediately bring about an internal condition of great grief and anxiety. Such organizations have found the efficiency service of the N. A. O. S. to be practical and conservative. Sometimes an organization desires information of a general character as, for example, an Oklahoma client might wish to know the conditions surrounding the marketing of hay in Chicago, or the San Francisco milk producers might wish to know the conditions and the producers' methods of organization in the large centers of the Middle West and East. Such service the N. A. O. S.

furnishes with a promptitude commensurate with the difficulties of gathering the data.

One of the most needed services that such organizations can get is the audit service maintained by the N. A. O. S. It has been truly said that the annual audit of a business organization is parallel to a physician's examination of the human body. When the auditor is through with you he knows what is the matter with you and his report is the basis for the correction of business ailments.

Improving Quality and Increasing Sales

Where the N. A. O. S. deals with a coöperative marketing association it endeavors to put into the rules provision whereby the association will guarantee the quality of its produce, and improve this quality, develop its own brand and utilize approved methods of building its trade. The N. A. O. S. believes that the time is not far distant when trade-marked advertised farm products will be one of the large factors in the advertising field. It is accordingly studying this problem and counseling with its clients.

Why Join The N. A. O. S.?

With hundreds of large organizations in the field, many of whom claim for their end the organization of the farmers, the question arises, why should a community apply for N. A. O. S. aid and why should farmers' organizations avail themselves of its service?

The answer lies in the following reasons:

(1) The N. A. O. S. is a service agency.

(2) The organizations subscribing for the service have control over the policy.

(3) It does not attempt to control the policy of any local or group organizations subscribing for this service. It only offers the benefit of its experience which is optional with the organization as to adoption.

(4) The organizations created by it are uniform in character where district conditions are similar.

(5) It is the only institution today in America that

fulfills the demand of the farmers as voiced by Mr. C. B. Kegley, master of the Washington State Grange, who in his 1910 address said:

"The one great need of the farmer is a national headquarters with bureaus of information, research, etc. Every organization, other than our farm organizations, that I know of maintains just such a national headquarters in charge of trained experts with an ample staff of assistants to maintain it in a high state of effectiveness. Any member of the National Manufacturers' Association, for example, if need arises, can wire, or mail the information required. There is not a business association of any importance that I know of that is not organized in the same way. We need such a national headquarters, and must have it if we farmers are to be as effective as we ought to be."

How to Secure N. A. O. S. Service

Varied demands and unequal distances make it impossible to establish a rule to govern every application for aid but if your community thinks the N. A. O. S. might be of service to it, write to the Madison, Wisconsin, office and state your case as frankly as you can. Prompt attention may be expected for all communications and a few exchanges of letters will enable your community to find out what may be necessary for it to do and to what extent you may expect the N. A. O. S. to help you.

ANNOUNCEMENT OF THE NATIONAL AGRICULTURAL ORGANIZATION SOCIETY

TO THE FARMERS OF AMERICA:

At the 1915 meeting of the National Conference on Marketing and Farm Credits this committee, whose names are undersigned, was authorized to undertake the formation of a National Agricultural Organization Society. The first step has been taken by this committee in the drafting of a provisional constitution and bylaws, which are now offered for your consideration with a view to affiliation.

The big reason for the formation of a National Agricultural Organization Society is that agriculture alone of all the great industries remains unorganized.

Constant and effective agitation by the Grange, the Farmers' Union, the Society of Equity, the Gleaners, and other societies created to promote agriculture, has implanted the coöperative principles and coöperative spirit in America. In response, thousands of local coöperative associations of farmers have sprung up, and the number is constantly increasing.

As a further and direct result of the educational propaganda so effectively carried on by these societies, laws providing for the organization of coöperative associations have been enacted in a number of states; state market bureaus have been established; pure seed, pure food, and other equally necessary laws have been passed. All that means advancement. That advancement is shown by the fact that the yearly business done by coöperative agricultural organizations in the United States is $1,400,000,000, according to an estimate of the U. S. Department of Agriculture.

Still agriculture is the one great industry that has not been organized on a broad and effective scale.

It may seem strange that the procedure and the work of the units that constitute business of such tremendous proportions should not be coördinated and that a central society or a fed-

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[*] This announcement was made February 28, 1916.

eration has not been established for this purpose. But such is the case and each society does its work independently whether it be a berry-growers' association, a creamery, or a great organization for the propaganda of educational work. In this way a great potential strength lies dormant and unutilized. Yet coöperative effort is essential in agriculture as in other businesses.

Other matters and other questions of big import to agriculture make it at once apparent that the United Utates must have a federation such as exists in Germany, Ireland, and other countries. Among these questions are transportation, import and export issues, cold storage facilities of the country, the attitude of the national and other chambers of commerce, the further establishment of coöperative laws, the creation and maintenance of uniform packs and grades, the inauguration and maintenance of state market commissions, the insistence upon education in harmony with the business of agriculture, the creation of credit facilities for land purchase and for financing of farm business, the necessity of a just interpretation of the Sherman Anti-Trust Act, representation in cases before the Federal Trade Commission that involve unfair discrimination, legal help in the organization of coöperative associations, a provision for the maintenance of expert auditors of farmers' associations, and the securing of full information relative to the experience of farmers' organizations in other countries.

Federation will create a common bond, and educate to common action. An organization for the dissemination of knowledge on the subject of market and farm products for coöperative credit, and for the promoting of coördinate and forceful action in all such matters, is a great need, and this committee offers the National Agricultural Organization Society as a means of working to that end. The committee hopes that through the N. A. O. S., a permanent federation may be effected.

Such a federation will not displace or injure any existing agricultural organization or federation however country-wide it may be. Indeed the very purpose of the N. A. O. S. is to strengthen every one of those now in the field.

Our efforts, therefore, are especially timely, and should receive the sanction of every governmental department and institution and of every person who desires to see this Nation strong and in condition either for war or for peace. The organization of agriculture is a prerequisite for either.

The committee, therefore, requests you to affiliate yourself and your organization with the National Agricultural Organization Society.

The committee has unanimously adopted a resolution that all individual members who have paid $2 to the National Conference on Marketing and Farm Credits in the year 1915 should be considered as affiliated with the National Agricultural Organization Society for the year 1916, and that all local organizations that had paid $5 or more for the same period and group organizations of locals that had paid $25 or more up to December 1, 1915, should be affiliated for the same period.

The acceptance of this affiliation by individuals and organizations constitutes the first organization of the National Agricutural Organization Society which is now in existence, and a vigorous campaign will be concluded to secure more funds. The Society is already in condition to give legal and expert help to organizations upon problems confronting them. It has a reference bureau for questions, and in the service of the Society are experts in coöperative law, organization problems, sales problems, and purchase problems.

The committee passed a special resolution covering the admission of farmers' organizations until the time of the first annual meeting in the fall of 1916. That resolution provides for a flat charge of $5 for each local association and $20 for a group of affiliated associations.

If you are affiliated with the Society, you will be entitled to this service at once.

Please read the constitution and by-laws, and let us know what you think of this temporary agreement.

It has been determined that one day of the next meeting of the National Conference on Marketing and Farm Credits will be set aside as the first general meeting of the National Agricultural Organization Society. At that time the general committee will turn over responsibility of managing the N. A. O. S.

to the committee elected by the delegates who compose the permanent organization.

GENERAL COMMITTEE

- Frank L. McVey, chairman; president, University of North Dakota, Grand Forks, North Dakota.
- Gifford Pinchot, president, National Conservation Association, Milford, Pike County, Pa.
- John Lee Coulter, dean, College of Agriculture, and director, Experiment Station, University of W. Virginia, Morgantown, W. Virginia.
- H. W. Tinkham, farmer, Warren, Rhode Island.
- Charles McCarthy, chief, Wisconsin Legislative Reference Library, Madison, Wisconsin.
- Clarence Poe, president, the Progressive Farmer Papers, Raleigh, North Carolina.
- Millard R. Myers, treasurer; farmer, editor, American Coöperative Journal, Chicago, Illinois.
- Leonard G. Robinson, former general manager, The Jewish Agricultural and Industrial Aid Society, New York City; president, First District Federal Land Bank, Springfield, Mass.*
- H. W. Danforth, farmer; president, National Council of Farmers Coöperative Associations, Washington, Illinois; president, The Federal Land Bank, St. Louis, Mo.
- Clarence Ousley, farmer, director of the Department of Extension and Home Economics, the Agricultural and Mechanical College of Texas, College Station, Texas.

The work of the Society is administrated by a Coöperative committee, consisting of Miles C. Riley, counsel; Charles A. Lyman, general organizer; Charles W. Holman, secretary. The temporary general offices of the Society are 340 Washington Building, Madison, Wisconsin.

(PROVISIONAL)
CONSTITUTION AND BYLAWS OF THE NATIONAL AGRICULTURAL ORGANIZATION SOCIETY

ARTICLE I

Name and Place of Business

Section 1. This society shall be called the "National Agricultural organization Society," and shall be hereinafter referred to as the "N. A. O. S."

Section 2. The general office of headquarters of the N .A. O. S. shall be at such place as the committee may select, where all the books, accounts, securities, and documents of the N. A. O. S. shall be kept. Offices or districts found necessary for the efficient carrying out of the purposes of the society may be established by the committee subject to change at the regular annual meeting.

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* Elected to membership on the committee in 1916.

ARTICLE II

OBJECTS AND POWERS

Section 1. The objects of the N. A. O. S. shall be:

(a) To coöperate with central bodies and local branches of societies or other associations, for the promotion of "Better farming, better business, and better living."

(b) To organize agriculture and other rural industries in the United States on coöperative lines.

(c) To examine into the methods of production and distribution of farm products with a view of evolving a system of greater economy and efficiency in handling and marketing the same.

(d) To encourage and promote the coöperative organization of farmers and of those engaged in allied industries for mutual help in the distribution, storing, and marketing of produce.

(e) To aid in the economical transfer of agricultural produce from the producer to consumer.

(f) To supply instructors and lecturers upon the subject of coöperation among farmers, auditing and accounting experts and legal advice in matters relating to organization.

(g) To issue reports, pamphlets and instructions that will help in spreading knowledge of the best means of rural betterment and organization.

(h) To encourage and coöperate with educational institutions, federal and state departments, societies, educational centers, etc., in all efforts to solve the questions of rural life, rural betterment and agricultural finance and marketing and distribution of produce and the special application of the facts and methods discovered to the conditions existing among the farmers of America and to the solution of the problem of increasing cost of living.

(i) To investigate the land conditions and land tenure with a view to working out better, more equitable and fairer systems of dealing with this problem so vital to the social and the economic well-being of the country.

(j) To call from time to time such conferences or conventions as will carry out the above mentioned objects.

Section 2. The N. A. O. S. shall have full powers to do the things necessary or expedient for the accomplishment of all the objects specified in its bylaws.

ARTICLE III

MEMBERSHIP AND BASIS OF SUPPORT

Constitution of Membership.

Section 1. The members of the N. A. O. S. shall consist of:

(a) The president, vice-president and members of the committee for the time being.

(b) Agricultural societies and associations formed under the coöperative laws of the respective states, or other corporate bodies whose constitution is in accordance with the principles of the N. A. O. S., that are admitted to membership by the committee, and pay to it affiliation fees or other contributions in accordance with the scale laid down from time to time by the committee or by the regular annual meetings. Such organizations shall hold one membership certificate in the N. A. O. S.

(c) Individuals, styled "subscribing members," who shall subscribe $5 and upwards annually to the funds of the N. A. O. S., and who shall hold one membership certificate in the N. A. O. S.

(d) Individuals, styled "life members," who have in the past contributed sums of $100 or upwards to the funds of the N. A. O. S., or who may in the future do so, and who shall hold one certificate in the N. A. O. S.

Mode of Admission.

Section 2. Applications for admission to membership shall be made in the form prescribed by the constitution and bylaws of the N. A. O. S., and shall be laid before the next meeting of the committee for the time being.

The committee shall have the right of deciding as to the admission or rejection of any applicant, subject to an appeal to any special or annual meeting.

The secretary shall, within one week after the date of the meeting at which applications are considered, post to the applicant a notification of his admission or rejection, as the case may be.

How Members May be Admitted

Section 3. Societies and individuals applying for admission shall comply with the following conditions:

(a) All agricultural societies formed under the coöperative laws of the respective states and other corporate or non-incorporated bodies whose constitutions are in accordance with the principles of the N. A. O. S. shall apply and make payment in full for one $5 membership certificate in the N. A. O. S., and shall further pay annually on or before December 1st, an affiliation fee or other contribution in accordance with the scale laid down from time to time by the committee or by the regular annual meetings.

(b) Societies and individuals who have previous to the annual meeting of 1916 affiliated with the N. A. O. S., and all that have paid in 1915 $2 or more to the Third National Conference on Marketing and Farm Credits shall be considered to have complied with that condition which requires them to take one fully paid membership certificate in the N. A. O. S.

(c) Every member of the N. A. O. S., whether a society or an individual, shall hold one membership certificate, and not more than one, which in the case of an individual may be paid out of his first annual subscription.

(d) The membership certificates shall not be transferable, and shall be of the nominal value of $5. They shall be registered in the names of their respective holders, and shall bear no interest. The holding of a membership certificate in the N. A. O. S. shall confer no right upon any member whose annual subscription is in arrear.

(e) All moneys due by members, whether on account of certificate or contributions, shall be recoverable as a debt due to the N. A. O. S. A list of all such arrears shall be submitted to each committee meeting which may either direct the institution of proceedings for their recovery or cancel the membership of the defaulter.

Cessation of Membership.

Section 4. Membership shall cease in the N. A. O. S.:

(a) By withdrawal on written notice of the N. A. O. S. on or before the first day of January in any year; which notice, in the case of a corporate body, shall be authenticated by the signatures of its chairman and secretary. Upon such withdrawal all sums paid by the member whether as subscriptions, or as donations, shall be forfeited.

(b) By failure to pay the annual subscription by December 1st in any year, unless the default is explained to the satisfaction of the committee.

(c) By expulsion in the manner following: If any member of the N. A. O. S., after being warned in writing by the committee to desist from any conduct specified in such warning which the committee consider to be injurious to the N. A. O. S., or to the movement generally, persists in such conduct, the committee (1) may bring the conduct complained of by a charge in writing, where the same is specially stated, and of which the offender shall have 14 days' notice, before a meeting of the N. A. O. S., which may expel the member complained of, or otherwise deal with the case as it thinks fit; (2) may, until such meeting can be held, suspend the offender from exercising under the by-laws of the N. A. O. S. any right not connected with any defense to the charge made. No member so expelled shall again be readmitted except by the votes of two-thirds of the members and delegates present at a regular annual meeting; nor unless notice has been given thirty days prior to such annual meeting of the intention to propose his readmission.

Liability.

Section 5. The liability of the member shall be limited to the amounts of their subscriptions for the current year.

Rights and Powers of Members.

Section 6. All members have the right to speak at the regular and special meetings and to send in proposals to be placed on the order of business for discussion, but the right to vote on ordinary business shall be exercised only by delegates from societies and members of the committee.

A coöperative society has a right to the assistance of the N. A. O. S.

in protecting its interests and to the benefit of all arrangements made by the N. A. O. S. for the joint benefit of affiliated societies; to receive advice from the officers and committee of the N. A. O. S. regarding all questions of business and administration; to inspection of its books and affairs generally by officers of the N. A. O. S.

Duties of Members.

Section 7. It is the duty of members:

(a) To observe the by-laws of the N. A. O. S. and the decisions of all the meetings.

(b) Not to act contrary to the interests of the N. A. O. S. or the movement generally.

(c) To pay affiliation fees in accordance with the scale fixed by the regular annual meeting.

(d) To assist the committee in gathering statistics, and business reports relating to agricultural organization.

ARTICLE IV

Constitution and Procedure of the Annual and Special Meetings

Constitution.

Section 1. The regular annual meeting shall consist of delegates from affiliated societies and the members of the committee.

Appointment of Delegates.

Section 2. Delegates from affiliated societies shall be appointed annually in the form prescribed by Appendix B at an annual meeting of the affiliated society, and each such society may appoint one delegate who shall have one vote only; he shall be a member of the society he represents, and no delegate may represent more than one society.

Substitutes for Absent Delegates.

Section 3. Voting by proxy at any meetings of the N. A. O. S. shall not be permitted, provided that in the event of any delegate being unable to attend, the committee of his society may appoint a substitute, who shall be a member of the same society, who may attend and vote at such meeting if a notice of such appointment signed by the chairman and secretary of his society be sent to the secretary of the N. A. O. S. not less than 48 hours before said regular annual meeting.

Quorum.

Section 4. The quorum for an annual meeting shall be one-third of all voting delegates.

No regular annual or special meetings of the membership shall proceed to business unless a quorum be present within half an hour of the time of meeting; otherwise, if the meeting be a regular annual meeting or a special meeting convened by the committee it shall stand adjourned for fourteen days, to the same hour and place, of which adjournment notice shall be sent to the address of each member entitled to vote thereat; and the adjourned meeting shall be competent to proceed to business at the end of half an hour from the time of holding the meeting, whatever the number of members or delegates present may be. But, if the meeting is convened by a notice from the members and the want of a quorum has arisen, it shall be absolutely dissolved.

Notices of Meetings.

Section 5. There shall be sent to every member and delegate, one month before each regular annual meeting a notification of the time and place of the meeting and a statement of the business before the meeting.

Proposals by Members.

Section 6. Proposals received by the secretary not less than two weeks before the issue of the notice of meeting shall, subject to the ruling of the committee as to their being germane to the business of the Society, be inserted in the order of business.

Who May Vote.

Section 7. Members and representatives of an affiliated society may attend the annual meeting and speak in debate, but shall have no vote unless they are either delegates or members of the committee.

Admission to Meetings.

Section 8. Members and delegates shall be admitted to the annual meetings only by cards of admission, in such form as the committee from time to time directs.

Place and Time of Annual Meetings.

Section 9. One regular annual meeting, hereinafter called the annual meeting, shall be held in each year. The regular annual meeting shall be held at such places in the United States and at such dates as the committee may decide.

Powers and Duties of Annual Meetings.

Section 10. The annual meeting shall have the following powers and duties:

(a) To define or alter the policy of the society.

(b) To determine the scale of affiliation fees.

(c) To consider and, if approved, adopt the Annual Report and Accounts presented by the committee.

(d) To expel members.

(e) To consider and decide upon complaints against the committee or officials.

(f) To alter or amend by-laws.

(g) To dissolve the society.

(h) To transact other business incidental to the meeting.

Special Meetings.

Section 11. Special meetings shall be held whenever the committee may deem it necessary, or on requisition, with cause shown, from not less than one-third of the affiliated societies.

Notice of Special Meeting.

Section 12. Notices for special meetings shall be mailed to the address of each member and delegate, at least 14 days before the holding of such meeting. These notices shall specify the time, place, and object of the meeting, and shall bear the name of the secretary. No business other than that specified in the notice convening the meeting shall be transacted at such meeting.

Majority of Votes to Decide.

Section 13. All questions, other than elections, shall be decided by a majority of votes ascertained by a show of delegates' tickets or certificates.

Minutes.

Section 14. The minutes of the meetings shall be kept in the manner prescribed by the committee, and shall be submitted to the committee at its next meeting after each special or annual meeting.

ARTICLE V.

Constitution and Procedure of the Committees.

Constitution.

Section 1. The committee shall consist of the following members (exclusive of the president and vice-president, who shall be ex-officio members, who retire annually, and who are elected by the affiliated societies), viz.:

(a) Eight members. At the first election of the committee two shall be elected for one year, two for two years, two for three years, and two for four years. As the terms of the members so elected expire their respective successors shall be elected for a term of four years.

(b) Four members elected by the subscribing members, of whom one shall retire annually by rotation, except at the first election when one shall be elected for one year, one for two years, one for three years, and one for four years.

Mode of Election

Section 2. At the first annual meeting the voting delegates shall elect the committee as a whole, and the committee at its first meeting, thereafter, shall cast lots to determine the period of each member's tenure of office. At this and succeeding annual meetings, the election of officers and members of the committee shall take place at the annual meeting and shall proceed by ballot on printed forms provided for that purpose by the secretary. Such ballots shall be checked against the credentials of the delegates.

Eligibility for Re-Election.

Section 3. All retiring members are eligible for re-election and shall hold office until their successors are elected.

Quorum of Committee.

Section 4. Five members of the committee shall form a quorum.

Chairman of Committee.

Section 5. The president, and in his absence the vice-president, shall take the chair at all meetings of the committee; if both be absent, the committee shall designate one of their number as chairman.

Removal of Committeeman from Office.

Section 6. Any committeeman may be removed from office at any regular or special meeting by two-thirds of the members present and voting, and such meeting may thereupon proceed to fill his place by a vote of the majority of the members voting.

Powers and Duties of the Committee.

Section 7. The committee shall have control of all business carried on by or on account of the N. A. O. S., subject to the provisions herein contained. It shall arrange the hours and place of meeting, and shall meet as often as is found necessary for the transaction of the business of the N. A. O. S.

The committee shall present an annual report to the annual meeting.

The committee shall supervise the accounts and payments of the N. A. O. S. which shall be entered in the books thereof as they from time to time direct.

Committeeman to be Deemed Members.

Section 8. Every person elected to the committee shall be deemed for all purposes connected with the management of the N. A. O. S., to be a member thereof, and shall have one vote at the meeting of the N. A. O. S. during his term of office.

Disqualification of Committeemen.

Section 9. Any member of the committee shall vacate his office if he holds any other office or place of profit under the N. A. O. S., or if he or any society he represents as a delegate becomes bankrupt, insolvent, or goes into liquidation; if he is concerned in, or participates in, the profit of any contract with the N. A. O. S., provided, however, that no committeeman shall vacate his office by reason of his being a member of any society which has entered into contract with, or done any work for, the N. A. O. S., but he shall not vote in respect of such contract or work.

Special Meetings

Section 10. Special meetings of the committee shall be summoned by sending a notice to each member at least seven days before the date of such meeting. The notice shall state the nature of the business to be transacted thereat.

A special meeting may be called by a notice in writing, given to the secretary, by two members not less than ten days before the time proposed for such meeting, and no other business shall be transacted at the meeting than the business named therein. The secretary shall forthwith issue notices to the members of the committee accordingly.

Sub-Committees.

Section 11. The committee may appoint subcommittees of its own members, who shall, in the functions entrusted to them, conform in all respects to the instructions given them by the committee.

ARTICLE VI.

POWERS AND DUTIES OF OFFICERS AND AUDITORS.

Chairman.

Section 1. At all meetings, the president of the Society shall preside; in his absence, the vice-president; in his absence, any member of the committee whom the meeting may choose.

The chairman shall not vote unless the votes be equal.

The Secretary and Treasurer.

Section 2. The committee shall appoint a secretary to the N. A. O. S., and a treasurer also, who shall have such functions and remuneration as the committee from time to time assigns to them, but neither shall have a vote. They shall in all respects act under the control and direction of the committee, and a satisfactory bond shall be required of the treasurer. The secretary, subject to the approval of the committee, shall appoint all employes of the N. A. O. S., and shall fix their duties, salaries and allowances. The secretary, or any employe, may be removed by the committee. But the treasurer and secretary may be the same person if the committee see fit. The secretary and treasurer shall be subject to the limitations herein mentioned, and shall attend the meetings of the committee.

The Auditors.

Section 3. There shall be two auditors of the N. A. O. S., one of whom shall be a certified public accountant. Both auditors shall be elected by the members at the annual meeting of the N. A. O. S., and shall retire annually, but shall be eligible for re-election.

They shall audit the accounts of the N. A. O. S., and see that they are correct, duly vouched and in accordance with law. They shall examine all securities, and shall have power to call for and examine all papers and documents belonging to the N. A. O. S., and every balance sheet signed by them, and approved by any annual meeting, shall be printed and made public for the use of the members of the N. A. O. S.

No employe of the N. A. O. S. shall be an auditor of its accounts.

Security from Officers and Employes.

Section 4. Every person appointed to any office touching the receipt, management, or expenditure of money for the purposes of the N. A. O. S., shall, before entering upon the duties of his office, give such security as is thought sufficient by the committee for the time being.

ARTICLE VII

MISCELLANEOUS.

Funds.

Section 1. The funds of the N. A. O. S. shall be applied to furthering its objects and to no other purpose.

The Seal of the Society.

Section 2. The N. A. O. S. shall have its name engraved in legible characters on a seal, and shall have its name mentioned in legible characters in all notices, advertisements, and other official publications, promissory notes, endorsements, checks and orders for money or goods purporting to be signed by or on behalf of the N. A. O. S. and in all invoices, receipts and letters of credit of the N. A. O. S. The seal shall be in such custody as the committee direct, and shall be used only when directed by a resolution of the committee, a minute of which resolution shall be duly recorded by the secretary.

Disputes.

Section 3. In case any dispute arises between the N. A. O. S. and any of its members, or of members or persons claiming on account of a member, or under the bylaws, or of any complaint against any member, application may be made to the committee for redress and, should they not bring the parties to agreement, appeal may be made to a meeting of the members of the N. A. O. S., whose decision shall be final.

Complaints.

Section 4. If any member has any complaint to make respecting the conduct of any of the employes of the N. A. O. S., such complaint shall be sent in writing, signed as the committee directs, to the committee of the N. A. O. S., and shall be investigated and decided by the committee, who shall record their decision on their minutes, subject, nevertheless, to appeal to a meeting, whose decision shall be final. Every complaint brought under this section before any committee or meeting, shall be stated on the order of business of the meeting.

Sugestions.

Section 5. Any member may send to the committee in writing, any suggestions for carrying into better effect the objects of the N. A. O. S., which shall be considered by the committee.

Religion and Politics.

Section 6. No religious or political question shall be introduced at any meeting of the N. A. O. S., and no action of the N. A. O. S. shall be directed towards the propagation of any political or religious doctrines, or the advancement of the interests of any political party or religious body.

Alteration of Bylaws.

Section 7. No new bylaw shall be made, nor any of the bylaws repealed or altered except by the vote of a two-thirds majority of the members present, and voting thereon at a special or annual meeting of the N. A. O. S.

BUSINESS PROCEEDINGS.

REPORT OF THE COMMITTEE ON RESOLUTIONS

In the preparation of resolutions, the committee has in mind the purposes of the call for the Conference. The many opinions held of problems pressing for solution have made it impossible to include the content of all resolutions offered to the committee. This Conference, however, consisting of representatives from 48 states, the District of Columbia, and from Canadian provinces, presents its views for public consideration under the following heads:

(1) Farm Finance and Congratulations.
(2) Land Settlement.
(3) Marketing.
(4) Conservation and Rural Development.
(5) National Agricultural Organization Society.

RESOLUTIONS ON FARM FINANCE

In response to popular demand for the better financing of the farmers of the United States, a law has been enacted known as the "Federal Farm Loan Act," and to put in operation the system created by said act a Federal Farm Loan Board has been organized under said law.

The said Federal Farm Loan Act offers the first and only effective system for the proper financing of the farmers of the country on long time mortgage loans at low rates of interest and easy payments.

We believe the bonds to be issued by the federal land banks created by this act will be of the highest class of investment securities. They are supervised by the government, secured by first mortgages on cultivated lands appraised at not more than 50 per cent of the value of such farms, and are further guaranteed by the 12 federal land banks with a combined capital of $9,000,000, and are exempt from all kinds of taxation.

Recommend Farm Loan Act

We heartily recommend to the farmers of the United States the Federal Farm Loan Act and urge upon them that they make the fullest possible use of the same. And we especially endorse the national farm loan associations as providing the best means of which farmers can avail themselves of the benefits of this law.

A doubt exists as to whether loans under the Federal Farm Loan Act can be legally made on lands which form a part of irrigation, drainage or reclamation districts on account of the lien against these lands for the bonds that are outstanding. If necessary, we recommend that an amendment be made to the present law to clear these lands of any such obstacle and render them eligible for loans without question.

Ask Short Time Credit Law

There is urgent need of a system of short time credits for the farmers of the United States, and the Fourth National Conference on Marketing and Farm Credits urges upon Congress the enactment of a law which will supply that need.

We also recommend that Congress shall create some authorized power to certify notes—properly and adequately secured by livestock, cotton, grain and other farm commodities—to the end that said notes shall find a wide and ready market at reasonable rates of interest. This would aid in putting the farming industry on an equal credit footing with other lines of business throughout the country. It would eliminate excessive rates of interest now charged for short time accommodations by local money lenders.

RESOLUTIONS ON LAND SETTLEMENT AND RURAL DEVELOPMENT

At its 1915 meeting this Conference called attention to the need for dealing with land settlement as an important economic and social question, and for action by the Nation and several states that would broaden the opportunity for those who wish to live in the country but who much depend mainly on frugality and industry in the purchase and improvement of farms.

The introduction of the Crosser Bill in Congress shows that the need for such action is being recognized and we endorse the general purpose of this measure. But we are opposed to any system of perpetual bureaucratic control of government promotion which would establish a dependent peasantry.

It is becoming increasingly manifest that the settlement of privately owned lands cannot be left wholly to unregulated private enterprise. In too many instances this plan has been inefficient and marked by unnecessary hardship and loss to settlers, resulting in unwarranted inflation of land prices.

All sections and classes are interested in the introduction of better methods of land settlement to overcome the growing menace of farm tenantry, to maintain the balance between city and country life and, by increasing production, to lessen the cost of living.

Recommends Wyoming Plan

If we are to have a scientific land settlement policy it should include the following features:

> 1. Detailed soil and economic surveys of unsettled lands to determine the character of the soil, the need for drainage and irrigation and the kind of agriculture or horticulture best suited to the locality. The results of such surveys should be published as a guide to public and private enterprise in the preparation of plans for colonization and the disposal of land to settlers.
>
> 2. The adoption of a policy under which the federal or state government or the two coöperating, will provide "ready-made farms" that will be habitable and can be made immediately productive. We endorse plans similar to those formulated under the report on land settlement in Wyoming, which provides for coöperation between the federal and state authorities for the creation of settlements in which community as well as individual needs are cared for. This policy includes provision for towns, schools, roads and the de-

termination of the size of farms needed to furnish employment and give a living income to the settler. The Wyoming plan also provides homes for farm laborers which will give them economic independence through the ownership of sufficient land to enable the laborer's family to grow its own fruits and vegetables and keep a cow, pigs, and poultry. The object of this is to enable settlers to earn a living income from the soil in less time and with smaller expenditure of money than is possible where each one works unaided and alone. Such expenditures, or loans, should be repaid by the settler with interest, under such conditions and in such time as will permit the money to be earned out of the soil.

3. Such supervision of private colonization and of the private sale of lands as shall prevent misrepresentation and fraud and aid the settler in selecting lands suited to his needs.

4. The creation of institutions and the employment of competent farm advisers for beginners as will prevent costly mistakes and promote the spirit of agricultural coöperation, and of community rather than individual action.

Federal Commission to Study Land Question

This Conference again urges its recommendation of 1915 for the appointment of a federal commission having authority to employ a body of expert assistants to carry on inquiry in all parts of the country, which will show:

(1) Methods and results of unregulated private settlement;

(2) The need for more favorable financial terms of purchase by tenants and would-be farmers of small capital; and

(3) The feasibility and value of adopting in this country some of the policies of other countries which have done so much to improve agricultural and social conditions in these countries.

National Information Agency

There is an evident need for the establishment of comprehensive, reliable and disinterested national agencies that will furnish:

(1) Information to would-be farmers, whether American born or immigrants from other countries;

(2) The opportunities for settlement in different sections of the country; and

(3) Assistance in securing homes and becoming established comfortably upon the land.

RESOLUTIONS ON MARKETING

We earnestly urge upon Congress the imperative need of a prompt and thorough investigation by the Federal Trade Commission assisted by the United States Department of Agriculture of:

> The marketing of livestock and the meat packing industries in this and other countries. We urge that this investigation be followed by a report with constructive recommendations for the improvement of the conditions and methods under which livestock is marketed, and the products thereof manufactured, distributed and sold.

Adequate Appropriation and Authority

We urge upon Congress the making of an adequate appropriation and the giving of adequate authority to the Federal Trade Commission to enable it to cover all important phases of the problem, including the experiences of other countries with municipal abattoirs and coöperatively owned packing plants, all to the end that a free and uncontrolled market may be assured, that any existing abuses may be corrected, that present wastes may be eliminated, and that new methods may be adopted.

We further urge that the fullest publicity be given to all facts affecting the prices of livestock received by the producer and the cost of meat products paid by the consumer.

Market News on All Farm Products

As the work of the office of markets of the United States Department of Agriculture has provided facilities for making impartial reports of market conditions and prices, we recommend that the market news service of the office of markets be extended as quickly as possible to include all farm products.

We believe that the office of markets should be authorized and instructed to require all handlers of farm products—including storage plants—to report conditions, prices, receipts and supplies on hand and such other facts as may be necessary to show the movement, supply and prices of farm products.

Market Grades for Farm Products

No standard market quotations are possible unless they are based upon uniform grades and a uniform interpretation of grades. Therefore, we recommend that as rapidly as possible the Office of Markets and Rural Organization of the United States Department of Agriculture, in coöperation with the state authorities, be authorized and empowered:

(1) To extend its work of establishing market grades so as to cover all farm products, including meat animals;

(2) To maintain in each of the principal markets official inspectors to enforce the use of the official grades and to whom all disputes between producers and buyers as to grading may be referred for decision.

State Market Departments

We recommend a continuation of the establishment of divisions or bureaus of markets by the separate states to promote proper methods of organization among farmers; for financing the production and sale of, for grading, and for storing and distributing farm products.

RESOLUTIONS ON MISCELLANEOUS SUBJECTS

We hereby protest against any legislation by Congress interfering by embargo or export duty with the distribution and sale of foodstuffs in the markets of the world.

Conservation

We protest against the passage of the Shields' and Myers' waterpower bills, or any substitutes for them, which fail to protect the public interest by requiring compensation for valuable public rights and by fixing a definite time at which each waterpower leased shall revert to the people, so that the conditions under which it is used may be readjusted to meet the public needs of that time. We call upon our senators and congressmen to defeat the Shields' and Myers' bills and to pass water power legislation providing for compensation and effective time limits in all water right grants, together with full publicity and effective regulation of charges so as to prevent monopoly and extortion.

WORK OF THE N. A. O. S.

In response to the wishes of the Conference of last year that some permanent organization be formed which would continue throughout the year the good work of the Conference, a committee was created which has brought into existence the National Agricultural Organization Society. This organization has during the past year given scientific help in hundreds of cases and has brought into harmonious relations and understanding many agencies and organizations which would otherwise be working alone. It furnishes legal and other help of the highest value and we urge its hearty endorsement by all coöperative organizations.

ACKNOWLEDGMENTS

The Fourth National Conference on Marketing and Farm Credits has enjoyed the hospitality and service of the Hotel Sherman and extends thanks for favors extended by the management.

The Conference desires to express its thanks and appreciation to President McVey, Secretary Holman and Treasurer McCarthy and the officers and committee on organization for their faithful and efficient service in arranging for this conference and in doing so much to help bring it to a successful conclusion.

The Conference has been gratified to have as its guest the sponsor of this Conference and its able supporter, the Honorable Frank P. Holland of Texas.

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A. W. Walls, La Crosse.

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Charles G. Cockerill, Jefferson; feeder, farmer.

Warren Nichols, Minerva; farmer.

G. H. Burge, Mt. Vernon; breeder of Shorthorn cattle.

F. D. Steen, West Liberty; farmer.

J. A. White, South Amana; farmer.

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Alson Secor, Des Moines; editor, Successful Farming.

James Atkinson, 1912 Grand Avenue, Des Moines; editor.

Henry C. Wallace, Des Moines; editor, Wallace's Farmer.

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James Slaten, Mendota; farmer.

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H. W. Ingersoll, Elyria; farmer.

Newton L. Bunnell, Lebanon; farmer.

E. R. Bathrick, Akron; farmer.

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James Thomas, Boswell; farmer.

Charles M. Smith, Lewistown; fruit grower and gardener.

Robert W. Lohr, Boswell; farmer.

Gifford Pinchot, Milford; forester.

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RHODE ISLAND

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SOUTH DAKOTA

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R. M. Crawford, R. 1, Brookings; farmer.

John T. Belk, Henry; farmer.

Isaac Lincoln, Aberdeen; banker and farmer.

W. S. Hill, Mitchell; farmer and banker.

H. F. Patterson, Aberdeen; farmer.

O. S. Anderson, Plankinton; farmer.

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UTAH

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Elizabeth B. Kelley, 425 Sterling Court, Madison; assistant professor in charge Household Economics, Extension Work, College of Agriculture.

B. H. Hibbard, University of Wisconsin; professor of agricultural economics.

James S. Heckey, 225 Lake Lawn Place, Madison; student.

E. Russell Koeniger, 222 Lake Lawn Place; student.

Ralph Nafziger, 124 Breeze Terrace, Madison; student.

J. Earl Wells, 225 Lake Lawn Place, Madison, student.

C. A. Loescher, 619 Lake Street, Madison; student.

H. A. Uloehlenpah, Clinton; banker.

J. Russell Wheeler, Columbia; president, Wisconsin Bankers' Association; banker.

Charles McCarthy, box 380, Madison; legislative librarian.

Charles W. Holman, 340 Washington Bldg., Madison; secretary, National Agricultural Organization Society.

Chas. A. Lyman, Rhinelander, general organizer N. A. O. S., Madison, Wis.

Mrs. Chas. A. Lyman, Rhinelander, Wis.

H. E. Holmes, Madison; business manager, Wisconsin Society of Equity.

Geo. D. Bartlett, 410 Pabst Bldg., Milwaukee.

Chas. R. Schroeter, 202 North Ave., Madison; inspector, Milwaukee Street Construction Co.

G. R. Rice, 1422 First National Bank, Milwaukee; secretary and treasurer, Milwaukee Milk and Cream Shippers' Association.

Herman L. Ekern, Madison; lawyer.

J. H. Fitzgibbon, 224 35th St., Milwaukee; organizing farmer, A. S. of E.

C. L. Burlingham, Fort Atkinson; agricultural editor.

W. E. Palmer, Elkhorn; farmer.

Chas. L. Turn, Elkhorn; farmer.

Oscar Leedle, Zenda; farmer.

Paul F. Garin, Walworth; farmer.

P. H. Tabin, Kenosha; farmer.

Emil Frei, Brooklyn; farmer.

B. S. Benson, Bristol; farmer.

James B. Cheesman, 1229 Wisconsin Street, Racine; farmer.

Edward A. Fitzpatrick, 610 Leonard Street, Madison; secretary, National Society for Training for Public Service.

Bernard Ecker, Route No. 13, Caledonia; farmer.

D. R. Kimball, Genoa Junction; farmer.

G. A. Schulz, Adell; farmer.

H. R. Dixon, Somers; farmer.

John Zunk, Kenosha, Route 4; farmer.

Roland E. Lee, Corliss, Route 5; farmer.

Henry Krumrey, Plymouth; farmer, president, Wisconsin Cheese Producers' Association.

G. H. Te Stroet, Cedar Grove; farmer.

R. B. Melvin, Greenbush; farmer.

Mr. and Mrs. W. R. Rowley; Racine, Route 3; farmer.

Joe Osterhuis, Waldo; farmer.

Geo. McKerrow, Pewaukee; farmer and stock breeder.

W. L. Ames, Oregon; farmer.

J. J. Schelling, Racine, Route 2, Box 56; dairyman.

Moulton B. Goff, Sturgeon Bay; farmer.

A. T. Carlson, Augusta; farmer.

J. T. Klug, Cedar Grove; farmer.

E. J. Keyes, Plymouth; farmer.

L. W. Krake, Glidden; farmer.

H. O. Natesta, Clinton; farmer.

Wm. J. Robers, Burlington, Route 20, Box 104; farmer.

C. H. Omams, North Lake; farmer.

Richard T. Ely, Madison; professor.

Hieron J. Block, Burlington; farmer.

John S. Donald, Mount Horeb; farmer.

Bert Miller, Honey Creek; farmer.

Frank Edwards, Burlington, Route 17; farmer.

Lawrence L. Wiensers, Burlington, Route 17; farmer.

J. O. Parrish, Plymouth; farmer.

Frank T. Holt, Kenosha; farmer, acting president, The Milk Producers' Association of the Chicago Dairy District.

C. O. Moe, Burlington; farmer.

G. F. Bowman, Bassett; farmer.

S. P. Reese, Highland Park, Clinton; milk producer.

H. G. Olson, Burlington, Route 22; farmer.

Harding Crow, Pleasant Prairie; farmer.

M. E. Kinney, Lake Geneva; farmer.
Harvey A. Nelson, Union Grove; farmer.
Louis Hess, South Milwaukee, Route 14; farmer.
E. S. Robbins, Elm Grove; farmer.
O. S. Gridley, Wauwatosa; farmer.
Walter Dittmar, South Milwaukee, Route 16; farmer.
Albert A. Fuller, Hartland; farmer.
Laurence R. Dorey, Salem; farmer.
A. Paddock, Salem; farmer.
Harry D. Dunbar, Elkhorn; farmer.
Joseph Williams, Oakwood, Route 18, Milwaukee; farmer.
Ben Kaun, Hales Corners; farmer.
J. B. Tankering, Burlington, Route 20, Box 64; farmer.
Chas. Hartmann, Brookfield; dairyman.
Gust Neu, Brookfield; dairyman.
E. C. Gittens, Bristol; dairyman.
O. J. Warren, Neillsville; farmer.
J. F. Wegge, Burlington, Route Star; farmer.
Ben Lang, Marshfield, Route 4; farmer and coöperative livestock shipper.
J. Cummings, Delavan; farmer.
Gilbert A. Runkel, Burlington, Route 19; dairyman.
John Ehler, Burlington; farmer.
G. A. Turnock, Kansasville; farmer.
John M. Manus, Kansasville; farmer.
Henry Tighe, Kansasville; farmer.
James Gabrielson, Union Grove; farmer.
D. Martin, Union Grove; farmer.
Ira D. Brown, Salem; farmer.
Sam Strenstra, Walworth; dairyman.
Albert T. Meyer, Lyons; farmer.
J. F. Schaefer, Lyons; farmer.
Otto Andre, Spencer; farmer.
O. E. Harrison, Genoa Junction; farmer.
John Murphy, Center St., Lake Geneva; farmer.
Herman J. Pfanzelter, Lyons; farmer.
A. C. Russell, Augusta; farmer.
Roy H. Beebe, Eagle River; colonization agent.

WYOMING

A. D. Faville, Laramie; teacher.

John E. Higgins, Glenrock; stockraiser and rancher.

Governor J. B. Kendrick, Cheyenne; governor.

A. W. Augspurger, Laramie.

John A. Schwartz, Barrington; farmer and dairyman.*

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* The number who attended the 1916 Conference is conservatively estimated at over 2,000. At times the congestion was so great it was impossible to register more than one person in five.

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